

PART I

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Contents

Agricultural Marketing Service

RULES AND REGULATIONS:

Fruit grown in Arizona and California; handling limitations:

Lemons 6122
Valencia oranges..... 6121

Agriculture Department

See Agricultural Marketing Service; Commodity Credit Corporation.

Army Department

See Engineers Corps.

Civil Aeronautics Board

RULES AND REGULATIONS:

Economic proceedings; dismissal of remaining portions of route applications partially designated for hearing..... 6122

Civil and Defense Mobilization Office

NOTICES:

Idaho; major disaster notice.... 6147

Commodity Credit Corporation

RULES AND REGULATIONS:

Corn loan and purchase agreement program, 1960 crop..... 6121

Customs Bureau

NOTICES:

Schlumberger Well Surveying Corp.; qualification as citizen of U.S. 6142

Tetracycline tablets and capsules from Italy; purchase price and foreign market value..... 6142

Engineers Corps

RULES AND REGULATIONS:

Danger zone; Atlantic Ocean off Delaware coast..... 6125

Federal Aviation Agency

NOTICES:

Establishment of positions and delegations of authority:

Deputy Administrator..... 6143

Deputy Administrator for Administration..... 6143

Deputy Administrator for Plans and Development..... 6143

Testimony by employees in legal proceedings and release of information by employees; revocation of policy orders..... 6142

PROPOSED RULE MAKING:

Air traffic; establishment of certain standard altimeter setting; correction..... 6129

Control zone; alteration..... 6129

RULES AND REGULATIONS:

Certification procedures; clarification of requirements for first- and second-class medical certificate..... 6123

Procurement by negotiation; determinations, findings, and authorities..... 6125

Testimony by employees, production of records, and service of process and pleadings in legal proceedings..... 6123

Federal Communications Commission

NOTICES:

Hearings, etc.:

Audio House, Inc. (KRPM)..... 6144

Dean, Elbert H., et al..... 6144

Hazlehurst Radio..... 6145

Ison, Aubrey H., et al..... 6145

Kent-Ravenna Broadcasting Co. et al..... 6145

Lake Zurich Broadcasting Co. and Kenosha Broadcasting, Inc. 6145

Marshall C. and Sarah C. Parker et al..... 6145

Powley, John R..... 6145

Regional Radio Service..... 6146

Telegraph Herald (KDTH) and Central Wisconsin Broadcasting, Inc. (WCCN)..... 6147

Torrington Broadcasting Co., Inc. (WTOR)..... 6145

WGRY, Inc. (WGRY), and Prairie Radio Corp. (WPRC)..... 6147

PROPOSED RULE MAKING:

Financial interests of broadcast stations and networks and their principals and employees in service and commodities receiving broadcast promotions; extension of time for filing comments..... 6129
FM broadcasting..... 6130

Federal Power Commission

NOTICES:

Hearings, etc.:

J. M. Huber Corp. et al..... 6148

Kansas-Nebraska Natural Gas Co., Inc..... 6147

Sun Oil Co. et al..... 6149

Food and Drug Administration

PROPOSED RULE MAKING:

Tolerances for residues; withdrawal of petitions:
Arsenic acid..... 6129
Ronnel..... 6129

Health, Education, and Welfare Department

See Food and Drug Administration.

Interior Department

See Land Management Bureau.

Labor Department

See Wage and Hour Division.

Land Management Bureau

NOTICES:

California; redelegation of authority by State Director to principal staff officers..... 6142
New Mexico; proposed withdrawal and reservation of lands..... 6142

(Continued on next page)

National Aeronautics and Space Administration

RULES AND REGULATIONS:
Tort claims; authority and policy_ 6124

Post Office Department

RULES AND REGULATIONS:
International postage rates and fees (correction)_____ 6125

Securities and Exchange Commission

NOTICES:

Hearings, etc.:

Devonshire Street Fund, Inc.--- 6149
International Bank_____ 6150
Midland Enterprises, Inc., and S. H. Scheuer and Associates_ 6151
United Industrial Corp.----- 6152

Small Business Administration

PROPOSED RULE MAKING:
Small business investment companies _____ 6155

Tariff Commission

NOTICES:
Rye; indefinite postponement of hearing _____ 6152

Treasury Department

See Coast Guard.

Wage and Hour Division

PROPOSED RULE MAKING:
Industry committees:
Newly covered employees_____ 6127
Virgin Islands_____ 6128

Codification Guide

The following numerical guide is a list of the parts of each title of the Code of Federal Regulations affected by documents published in today's issue. A cumulative list of parts affected, covering the current month to date, appears at the end of each issue beginning with the second issue of the month.

Monthly, quarterly, and annual cumulative guides, published separately from the daily issues, include the section numbers as well as the part numbers affected.

6 CFR

421_____ 6121

7 CFR

922_____ 6121
953_____ 6122

13 CFR

PROPOSED RULES:
107 (see Part II of this issue).

14 CFR

302_____ 6122
406_____ 6123
415_____ 6123
1204_____ 6124

PROPOSED RULES:
60_____ 6129
601_____ 6129

21 CFR

PROPOSED RULES:
120 (2 documents)_____ 6129

29 CFR

PROPOSED RULES:
511-791_____ 6127
694_____ 6128

33 CFR

204_____ 6125

39 CFR

111_____ 6125
112_____ 6125
131_____ 6125
168_____ 6125

41 CFR

2-3_____ 6125

47 CFR

PROPOSED RULES:
3 (2 documents)_____ 6129, 6130

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Rules and Regulations

Title 6—AGRICULTURAL CREDIT

Chapter IV—Commodity Credit Corporation, Department of Agriculture

SUBCHAPTER B—LOANS, PURCHASES, AND OTHER OPERATIONS

[1960 C.C.C. Grain Price Support Bulletin 1, Supp. 1, Amdt. 2, Corn]

PART 421—GRAINS AND RELATED COMMODITIES

Subpart—1960-Crop Corn Loan and Purchase Agreement Program

MISCELLANEOUS AMENDMENTS

The regulations issued by the Commodity Credit Corporation and the Agricultural Stabilization and Conservation Service published in 25 F.R. 3920, 5563, 7973, and 10078, and containing the specific requirements for the 1960-crop corn price support program are hereby amended as follows:

1. Section 421.5146(a) (1) is amended to provide that in determining the settlement value for loan corn of a grade or quality for which no support rate has been established, premiums and discounts contained in the "Schedule of Premiums and Discounts" shall be used to the extent they apply so that the amended subparagraph reads as follows:

§ 421.5146 Settlement.

(a) *Settlement value.* Subject to the provisions of § 421.5019, the following shall apply:

(1) *Nonrecourse farm-storage loans.* In the case of corn delivered to CCC under nonrecourse farm-storage loans grading No. 3 or better, or No. 4 on the factor of test weight only but otherwise grading No. 3 or better and containing not in excess of 14 percent moisture, settlement shall be made at the applicable support rate for the county in which the corn was produced. The support rate so determined shall be for the total quantity of corn eligible for delivery subject to premiums and discounts shown in the "Schedule of Premiums and Discounts" in 1960 C.C.C. Grain Price Support Bulletin 1, Supplement 2, Corn. If, upon delivery, the corn under farm-storage loan is of a grade or quality for which no support rate has been established, the settlement value shall be computed by using the price support premiums and discounts shown in the "Schedule of Premiums and Discounts" in 1960 C.C.C. Grain Price Support Bulletin 1, Supplement 2, Corn, to the extent they apply and, in addition, the amount of the market discounts, if any, as determined by the appropriate ASCS commodity office for the quality by which the commodity is lower than the quality for which such price support discounts are established: *Provided, however,* That if such corn is sold by CCC in order to determine its market price the settle-

ment value shall not be less than such sales price. If, upon delivery to CCC, the corn contains mercurial compounds or other substances poisonous to man or animals, such corn shall be offered for sale for seed (in accordance with applicable State seed laws and regulations), fuel or industrial uses where the end product will not be consumed by man or animals, in which event the settlement value shall be the same as the sales price if so sold, or the settlement value shall be the market value, as determined by CCC as of the date of delivery if CCC is unable to sell such corn for such uses.

2. Section 421.5146(a) (3) (i) is amended to provide that in determining the settlement value for corn delivered under a purchase agreement which grades No. 3 or better, but contains in excess of 14 percent moisture, and for corn grading below No. 3 (except for corn grading No. 4 on test weight only) the premiums and discounts contained in the "Schedule of Premiums and Discounts" shall be used to the extent they apply so that the amended subdivision reads as follows:

(3) *Purchase agreements*—(i) *Delivery from farm storage.* Settlement for corn delivered to CCC from farm storage and purchased by CCC under a purchase agreement shall be made on the basis of weight, grade, and other quality factors determined by a reinspection at the time of delivery. Settlement for eligible corn grading No. 3 or better, or No. 4 on the factor of test weight only but otherwise No. 3 or better and containing not in excess of 14 percent moisture, and for corn of such grades bearing the special grade "Weevily" in addition to the numerical grade shall be made on the basis of the applicable basic county support rate for the county where produced subject to the "Schedule of Premiums and Discounts" contained in the 1960 C.C.C. Grain Price Support Bulletin 1, Supplement 2, Corn. Settlement for eligible corn grading No. 3 or better, containing in excess of 14 percent moisture; for corn grading No. 4 on the basis of factors other than test weight; for eligible corn grading No. 5; and for eligible corn of such grades bearing the special grade "Weevily" in addition to the numerical grade shall be computed by using the price support premiums and discounts shown in the "Schedule of Premiums and Discounts" in 1960 C.C.C. Grain Price Support Bulletin 1, Supplement 2, Corn, to the extent they apply and, in addition, the amount of the market discounts, if any, as determined by the appropriate ASCS commodity office, for the quality by which the commodity is lower than the quality for which such price support discounts are established: *Provided, however,* That if such corn is sold by CCC in order to determine its market price, the settlement value shall not be less than such sales price. If, upon delivery to CCC, the corn contains mer-

curial compounds or other substances poisonous to man or animals, such corn shall be offered for sale or seed (in accordance with applicable State seed laws and regulations), fuel or industrial uses where the end product will not be consumed by man or animals, in which event the settlement value shall be the same as the sales price if so sold, or the settlement value shall be the market value, if any, as determined by CCC as of the date of delivery if CCC is unable to sell such corn for such uses.

(Sec. 4, 62 Stat. 1070, as amended; 15 U.S.C. 714b. Interpret or apply sec. 5, 62 Stat. 1072, secs. 105, 401, 63 Stat. 1051, 1054, as amended, Title II, 73 Stat. 178, 15 U.S.C. 714c, 7 U.S.C. 1441, 1421)

Effective date: Upon publication in the FEDERAL REGISTER.

Signed at Washington, D.C., on July 5, 1961.

H. D. GODFREY,
Executive Vice President,
Commodity Credit Corporation.

[F.R. Doc. 61-6419; Filed, July 7, 1961; 8:47 a.m.]

Title 7—AGRICULTURE

Chapter IX—Agricultural Marketing Service and Agricultural Stabilization and Conservation Service (Marketing Agreements and Orders), Department of Agriculture

[Valencia Orange Reg. 235]

PART 922—VALENCIA ORANGES GROWN IN ARIZONA AND DESIGNATED PART OF CALIFORNIA

Limitation of Handling

§ 922.535 Valencia Orange Regulation 235.

(a) *Findings.* (1) Pursuant to the marketing agreement and Order No. 22, as amended (7 CFR Part 922), regulating the handling of Valencia oranges grown in Arizona and designated part of California, effective under the applicable provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), and upon the basis of the recommendations and information submitted by the Valencia Orange Administrative Committee, established under the said marketing agreement and order, as amended, and upon other available information, it is hereby found that the limitation of handling of such Valencia oranges as hereinafter provided will tend to effectuate the declared policy of the act.

(2) It is hereby further found that it is impracticable and contrary to the public interest to give preliminary notice, engage in public rule-making procedure, and postpone the effective date of this section until 30 days after publication hereof in the FEDERAL REGISTER (5 U.S.C. 1001-1011) because the time intervening between the date when in-

formation upon which this section is based became available and the time when this section must become effective in order to effectuate the declared policy of the act is insufficient, and a reasonable time is permitted, under the circumstances, for preparation for such effective time; and good cause exists for making the provisions hereof effective as hereinafter set forth. The committee held an open meeting during the current week, after giving due notice thereof, to consider supply and market conditions for Valencia oranges and the need for regulation; interested persons were afforded an opportunity to submit information and views at this meeting; the recommendation and supporting information for regulation during the period specified herein were promptly submitted to the Department after such meeting was held; the provisions of this section, including its effective time, are identical with the aforesaid recommendation of the committee, and information concerning such provisions and effective time has been disseminated among handlers of such Valencia oranges; it is necessary, in order to effectuate the declared policy of the act, to make this section effective during the period herein specified; and compliance with this section will not require any special preparation on the part of persons subject hereto which cannot be completed on or before the effective date hereof. Such committee meeting was held on July 6, 1961.

(b) *Order.* (1) The respective quantities of Valencia oranges grown in Arizona and designated part of California which may be handled during the period beginning at 12:01 a.m., P.s.t., July 9, 1961, and ending at 12:01 a.m., P.s.t., July 16, 1961, are hereby fixed as follows:

- (i) District 1: Unlimited movement;
- (ii) District 2: 450,000 cartons;
- (iii) District 3: Unlimited movement.

(2) All Valencia oranges handled during the period specified in this section are subject also to all applicable size restrictions which are in effect pursuant to this part during such period.

(3) As used in this section, "handled," "handler," "District 1," "District 2," "District 3," and "carton" have the same meaning as when used in said marketing agreement and order, as amended.

(Secs. 1-19, 48 Stat. 31, as amended; 7 U.S.C. 601-674)

Dated: July 7, 1961

FLOYD F. HEDLUND,
*Director, Fruit and Vegetable
Division, Agricultural Mar-
keting Service.*

[F.R. Doc. 61-6513; Filed, July 7, 1961;
11:23 a.m.]

[Lemon Reg. 907]

PART 953—LEMONS GROWN IN CALIFORNIA AND ARIZONA

Limitation of Handling

§ 953.1014 Lemon Regulation 907.

(a) *Findings.* (1) Pursuant to the marketing agreement, as amended, and

Order No. 53, as amended (7 CFR Part 953), regulating the handling of lemons grown in California and Arizona, effective under the applicable provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), and upon the basis of the recommendation and information submitted by the Lemon Administrative Committee, established under the said amended marketing agreement and order, and upon other available information, it is hereby found that the limitation of handling of such lemons as hereinafter provided will tend to effectuate the declared policy of the act.

(2) It is hereby further found that it is impracticable and contrary to the public interest to give preliminary notice, engage in public rule-making procedure, and postpone the effective date of this section until 30 days after publication hereof in the FEDERAL REGISTER (5 U.S.C. 1001-1011) because the time intervening between the date when information upon which this section is based became available and the time when this section must become effective in order to effectuate the declared policy of the act is insufficient, and a reasonable time is permitted, under the circumstances, for preparation for such effective time; and good cause exists for making the provisions hereof effective as hereinafter set forth. The committee held an open meeting during the current week, after giving due notice thereof, to consider supply and market conditions for lemons and the need for regulation; interested persons were afforded an opportunity to submit information and views at this meeting; the recommendation and supporting information for regulation during the period specified herein were promptly submitted to the Department after such meeting was held; the provisions of this section, including its effective time, are identical with the aforesaid recommendation of the committee, and information concerning such provisions and effective time has been disseminated among handlers of such lemons; it is necessary, in order to effectuate the declared policy of the act, to make this section effective during the period herein specified; and compliance with this section will not require any special preparation on the part of persons subject hereto which cannot be completed on or before the effective date hereof. Such committee meeting was held on July 5, 1961.

(b) *Order.* (1) The respective quantities of lemons grown in California and Arizona which may be handled during the period beginning at 12:01 a.m., P.s.t., July 9, 1961, and ending at 12:01 a.m., P.s.t., July 16, 1961, are hereby fixed as follows:

- (i) District 1: Unlimited movement;
- (ii) District 2: 372,000 cartons;
- (iii) District 3: Unlimited movement.

(2) As used in this section, "handled," "District 1," "District 2," "District 3," and "carton" have the same meaning as when used in the said amended marketing agreement and order.

(Secs. 1-19, 48 Stat. 31, as amended; 7 U.S.C. 601-674)

Dated: July 6, 1961.

FLOYD F. HEDLUND,
*Director, Fruit and Vegetable
Division, Agricultural Mar-
keting Service.*

[F.R. Doc. 61-6470; Filed, July 7, 1961;
8:51 a.m.]

Title 14—AERONAUTICS AND SPACE

Chapter II—Civil Aeronautics Board

SUBCHAPTER B—PROCEDURAL REGULATIONS

[Reg. No. PR-50]

PART 302—RULES OF PRACTICE IN ECONOMIC PROCEEDINGS

Dismissal of Remaining Portions of Route Applications Partially Designated for Hearing or Consolidated Hearing

JULY 3, 1961.

Adopted by the Civil Aeronautics Board at its office in Washington, D.C., on the 3d day of July 1961.

In delineating the scope of its formal route proceedings, the Board has followed the practice of designating for hearing or consolidated hearing in a particular proceeding only those portions of individual route applications proposing service within the geographical scope of the consolidated proceeding. The remaining portions of such applications are then severed and remain on the Board's docket as active applications under their original docket numbers.

Consequently, the Board's docket has been encumbered with severed portions of applications seeking authority which frequently bears only a slight relationship to the overall authority sought by the original applications and which the applicant may no longer have any genuine interest in prosecuting. Moreover, in many instances, it has been difficult to determine the precise scope of the authority included in the severed portion of an application. This is particularly true where the remaining portion of the application represents only a fragment of the route originally requested or where the application has been repeatedly subjected to amendments by the applicant and severances by the Board. For these reasons, it is apparent that present docketing and severance practices have imposed an unnecessary burden on the Board, its staff and outside parties who are interested in ascertaining the scope of the pending requests for route authority included in the active dockets.

This amendment adds a new paragraph (d) to § 302.12 of Subpart A of Part 302. The new paragraph provides for the dismissal without prejudice of the remaining portions of all applications which have in part been designated for hearing, or consolidated hearing, by the Board.

Since this amendment is not a substantive rule, notice and public procedure hereon are not required and the amendment may be made effective 30 days after publication.

In consideration of the foregoing, the Civil Aeronautics Board hereby amends § 302.12 of Part 302 of the Procedural Regulations (14 CFR Part 302), effective August 7, 1961, by adding a new paragraph (d), as follows:

§ 302.12 Consolidations.

(d) *Dismissal of remaining portions of applications partially designated for hearing or consolidated hearing.* When the Board severs parts of applications filed under section 401 of the Act and designates them for hearing or for consolidated hearing in a proceeding, it will dismiss without prejudice the remaining portions of such applications.

(Sec. 204(a), 72 Stat. 743; 49 U.S.C. 1324. Interpret or apply sec. 1001, 72 Stat. 788; 49 U.S.C. 1481)

By the Civil Aeronautics Board.

[SEAL] HAROLD R. SANDERSON,
Secretary.

[F.R. Doc. 61-6418; Filed, July 7, 1961;
8:47 a.m.]

Chapter III—Federal Aviation Agency

SUBCHAPTER A—PROCEDURAL REGULATIONS

[Reg. Docket No. 609; Amdt. 1]

PART 406—CERTIFICATION PROCEDURES

Clarification of Requirements for First- and Second-Class Medical Certificate

Subparagraphs (a) (1) and (b) (1) of § 406.12 require all applicants for, as well as the holders of, airline transport pilot ratings and commercial pilot certificates to obtain first-class or second-class medical certificates respectively. However, § 43.41 (14 CFR 43.41) of the General Operation Rules permits the holder of a pilot certificate to hold only that class of medical certificate appropriate to the flight privilege exercised. For example, even though the applicant for an airline transport rating is required under the certification rules of Part 21 to obtain a first-class medical certificate for the original issuance of his airline transport rating, he need possess only a second-class medical certificate for those operations requiring a commercial pilot certificate. This amendment changes the procedural provisions of § 406.12 to conform with the operation rules of § 43.41.

Since the provisions in this amendment are a clarification of the procedural rules, notice and public procedure hereon are unnecessary and it may be made effective immediately.

Accordingly, paragraphs (a) (1) and (b) (1) of § 406.12 of Part 406 (14 CFR Part 406) is hereby amended, effective on the date of publication in the FEDERAL REGISTER, to read as follows:

§ 406.12 Medical certificates.

(a) *First-class medical certificate—*
(1) *Purpose.* This certificate must be

obtained by all applicants for an airline transport pilot rating, and those holders of such rating who exercise the privileges thereof.

(b) *Second-class medical certificate—*
(1) *Purpose.* This certificate must be obtained by all applicants for a commercial pilot certificate, air-traffic controller operator certificate, flight navigator certificate, flight engineer certificate, or commercial lighter-than-air pilot certificate, and those holders of such certificates who exercise the privileges thereof.

(Secs. 313a, 601, 602, 72 Stat. 752, 775, 776; 49 U.S.C. 1354, 1421, 1422)

Issued in Washington, D.C., on July 3, 1961.

N. E. HALABY,
Administrator.

[F.R. Doc. 61-6398; Filed, July 7, 1961;
8:45 a.m.]

[Regulatory Docket No. 789]

PART 415—TESTIMONY BY EMPLOYEES, PRODUCTION OF RECORDS, AND SERVICE OF PROCESS AND PLEADINGS IN LEGAL PROCEEDINGS

The Agency's policy and procedures concerning the subject matter of this part are presently contained in part in the present Part 415 and in part in General Order 51 and Policy Order 3 issued by the Civil Aeronautics Administration effective October 30, 1952 and July 1, 1956 respectively.

This revision incorporates into Part 415 those provisions of the General Order and Policy Order not previously included in Part 415. It also adds provisions authorizing Regional Counsel of the Agency to waive application of the part in certain cases.

Action is being taken simultaneously to rescind General Order 51 and Policy Order 3.¹

Inasmuch as this revision involves only matters of Agency management, procedure and practice, notice and public procedure hereon are unnecessary and it may be made effective immediately.

In consideration of the foregoing, Part 415 of the regulations of the Administrator (14 CFR Part 415) is hereby revised to read as follows effective upon publication in the FEDERAL REGISTER:

Sec.

415.1 Purpose.

415.2 Legal proceedings in which the U.S. Government is involved.

415.3 Legal proceedings between private litigants.

415.4 Deviation from policy.

415.5 Designation of General Counsel to accept service on behalf of the Administrator.

AUTHORITY: §§ 415.1 to 415.5 issued under sections 303(d), 313(a), 72 Stat. 747, 752; 49 U.S.C. 1344, 1354.

§ 415.1 Purpose.

The purpose of this part is to prescribe the policy and procedures of the Federal

¹ See F.R. Doc. 61-6412 in Notices section, *infra*.

Aviation Agency with respect to testimony by its employees as witnesses in legal proceedings, the release or disclosure of Agency files and documents, and the service of legal process and pleadings.

§ 415.2 Legal proceedings in which the U.S. Government is involved.

(a) Agency employees are required to give testimony as witnesses for the Government in all legal proceedings in which the Government is involved whenever such appearance is requested by the attorney in charge of the presentation of the case for the Government. This includes testimony as expert or opinion witnesses as well as testimony as to facts. In most instances, the attorney presenting the case on behalf of the Government will be an attorney on the staff of the General Counsel in Washington, a Regional Counsel, or a U.S. District Attorney.

(b) Agency employees are not permitted to give testimony as expert or opinion witnesses for an adverse party in proceedings in which the Government is involved, although they may give testimony as to facts.

§ 415.3 Legal proceedings between private litigants.

Agency employees are not permitted to give testimony as expert or opinion witnesses in legal proceedings between private litigants. The principal reasons for this policy are to conserve the time of employees for the conduct of official business, to minimize the possibility of criticism directed toward the Agency in the event of participation of its employees in controversial issues, and to avoid the expenditure of Government time and money for private purposes. Private litigants may properly be expected to obtain their own expert witnesses from private sources.

(a) *Subpoenas.* Agency employees who have been properly served with a subpoena must appear at the time and place specified. The employee shall immediately report the service to the General Counsel or to the appropriate Regional Counsel, who will determine whether the employee is required to comply, and will provide the employee with legal representation. When compliance with a subpoena will seriously affect the performance of official duties, or require the production of Agency documents or files, the release of which is prohibited by Agency Standard Practice Part 7, the General Counsel (or Regional Counsel) will attempt to have it withdrawn or modified.

(b) *Factual testimony.* Employees properly subpoenaed shall testify to facts within their personal knowledge even though such facts have been embodied in a report which they are not permitted to produce: *Provided, however,* That permission has been obtained from the General Counsel or the Regional Counsel for the disclosure of information restricted by statute or in violation of Agency regulations. In giving factual testimony, employees shall avoid any statements of opinions.

(c) *Expert or opinion testimony.* If, in the course of testifying, an employee

is asked a question calling for expert or opinion testimony, he shall decline to answer on the basis that he is forbidden to do so under this part. If then ordered by the court to give such testimony, he shall comply.

(d) *Disclosure of agency documents and files.* (1) It is the general policy of the Federal Aviation Agency to make factual information in its possession available to persons properly and directly concerned. This policy reflects the principle that Federal Aviation Agency exists to serve the public and that a free sharing of information within the Government and with the public is usually in the public interest. Agency employees may therefore release to other Agencies of the Federal Government and to the general public information, documents and records as authorized by Agency Standard Practice Part 7.

(2) Information, documents, and records are in the custody of employees for purposes relating to the performance of their official duties only. They have no authority or discretion to permit their use for any other purpose. Except as to documents and files the release or production of which is authorized by Agency Standard Practice Part 7, employees are prohibited from releasing information, documents or records or from producing them in court, whether in answer to a subpoena ordering that they be produced or otherwise.

(3) Agency employees are prohibited from producing Agency documents or records for use in court except upon clearance from the General Counsel or appropriate Regional Counsel. If a request is received by an employee for such production, or if a subpoena is served upon an employee calling for production of documents or records, the request or subpoena shall be referred to the General Counsel or appropriate Regional Counsel. If the request or subpoena calls for the production of documents the release of which is authorized by Agency Standard Practice Part 7, the General Counsel or Regional Counsel shall honor the request or subpoena.

(4) When an employee is served with subpoena calling for the production of Agency documents or records, the release of which is restricted by statute or Agency regulations, the General Counsel or appropriate Regional Counsel will attempt to obtain a withdrawal or vacation of the subpoena. Where this cannot be accomplished, the employee shall appear at the time and place specified in the subpoena (accompanied by a representative from the General Counsel's or Regional Counsel's office) and explain to the court that he is prohibited by FAA regulations from producing the records, whether in answer to a subpoena or otherwise.

(5) Where an employee following the procedure indicated above is cited for contempt of court, the General Counsel or Regional Counsel shall request the local U.S. Attorney to institute habeas corpus proceedings. Regional Counsel will immediately report cases of this kind to the General Counsel who will obtain the necessary cooperation of the Department of Justice in Washington.

§ 415.4 Deviation from policy.

Permission to deviate from the policies prescribed in this part may be granted only by the General Counsel or Regional Counsel. Such permission and waiver shall be granted only (a) when such deviation is necessary to prevent a miscarriage of justice; (b) when the FAA has an interest in the decision which may be rendered in the legal proceedings; or (c) when it is determined that a deviation is in the best interest of civil aviation or the Government.

§ 415.5 Designation of General Counsel to accept service on behalf of the Administrator.

The service of legal process or pleadings upon the Administrator of the Federal Aviation Agency in judicial and administrative proceedings, including proceedings before the Civil Aeronautics Board and Agency proceedings, may be had, at the option of the server, upon the General Counsel, Deputy General Counsel, or Associate General Counsel for Enforcement, Litigation and Claims, with the same effect as it served upon the Administrator. The designated officials will accept and acknowledge such service and take such further action therein as is appropriate.

Issued in Washington, D.C., on July 3, 1961.

N. E. HALABY,
Administrator.

[F.R. Doc. 61-6397; Filed, July 7, 1961;
8:45 a.m.]

Chapter V—National Aeronautics and Space Administration

PART 1204—ADMINISTRATIVE AUTHORITY AND POLICY

Subpart 3—Tort Claim Regulations

Sec.	
1204.300	Scope of subpart.
1204.301	Claimant.
1204.302	Form of claim.
1204.303	Filing of claims.
1204.304	Evidence to be submitted by claimant.
1204.305	Investigation of claims.
1204.306	Payment of claims.
1204.307	Acceptance of award or settlement by claimant.
1204.308	Attorney's fees.
1204.309	NASA officials authorized to settle tort claims.

AUTHORITY: §§ 1204.300 to 1204.309 issued under 28 U.S.C. 2671-2680 and 42 U.S.C. 2473(b) (13).

§ 1204.300 Scope of subpart.

This subpart establishes the procedures for the submission of claims for bodily injury, death, and property damage or loss cognizable under the Federal Tort Claims Act (28 U.S.C. 2671-2680) or the National Aeronautics and Space Act of 1958 (42 U.S.C. 2473(b) (13)) and designates NASA officials authorized to act upon such claims.

§ 1204.301 Claimant.

(a) If the property was insured and the insurer has a right of subrogation, in whole or in part, and if both the owner and the insurer desire to file a claim for

their respective losses, they should join in one claim.

(b) Claims for bodily injury may be filed by the injured person or his agent or attorney.

(c) Claims for death may be filed by the personal representative of the decedent or by the administrator, executor, or guardian. When filed by an agent or attorney, the claim must show the title or capacity of the person representing the claimant and be accompanied with evidence of the appointment of such person as agent, legal representative, executor, administrator, guardian, or other fiduciary.

§ 1204.302 Form of claim.

Claims should be prepared on Government Standard Form 95 "Claim for Damage or Injury." Copies of this form are available upon request at NASA Headquarters or the appropriate field installation. All information requested therein should be given in detail. It is especially important that the amount claimed for property damage and for bodily injury be indicated in the space provided. Claims should be prepared in duplicate and signed.

§ 1204.303 Filing of claims.

(a) Claims covered by this subpart must be filed within two years after the accident or incident or death by the claimant (see § 1204.301).

(b) Claims should be submitted directly to the NASA installation whose employee is alleged to be responsible for the accident or incident, if known, or if not known, to the Office of General Counsel, National Aeronautics and Space Administration, Washington 25, D.C.

§ 1204.304 Evidence to be submitted by claimant.

(a) *General.* The amount claimed on account of damage to or loss of property, or on account of bodily injury or death should, so far as possible, be substantiated by competent evidence. Supporting statements, estimates and the like should, if possible, be obtained from disinterested parties. All evidence should be submitted in duplicate. The original evidence or certified copies thereof should be attached to the original and copy of the claim.

(b) *Personal injury or death.* In support of claims for personal injury or death, the claimant should submit itemized bills for medical, hospital or burial expenses actually incurred; a statement from the claimant's or decedent's employer as to time and income lost from work; and a written report by the attending physician with respect to the nature and extent of the injury, the nature and extent of treatment, the degree of disability, the period of hospitalization or incapacitation, and the prognosis as to future treatment, hospitalization, and other relevant matters.

(c) *Damage to property.* In support of claims for damage to property, the claimant should submit:

(1) An itemized receipt in the case of property which has been repaired.

(2) Itemized estimates of the cost of repairs from two reliable parties who

specialize in such work, in the case of unrepaid property, or

(3) Corroborative statements from two reliable, qualified persons with respect to the cost, age of the property, and salvage value in the case where the property is not economically repairable.

§ 1204.305 Investigation of claims.

When a claim is received, the official designated in § 1204.309 shall conduct such investigation as may be appropriate for a determination of the validity of the claim. The services of an investigatory group or official at any NASA installation may be obtained to assist in such investigations.

§ 1204.306 Payment of claims.

When a claim is settled, it will be referred for payment to the appropriate fiscal office through the appropriate budget office.

§ 1204.307 Acceptance of award or settlement by claimant.

The acceptance by the claimant of an award, adjustment, or settlement is final and conclusive on the claimant, and constitutes a complete release of any claim against the United States and against the employee of the Government whose act or omission gave rise to the claim.

§ 1204.308 Attorney's fees.

As part of any award or settlement, reasonable attorney's fees may be allowed out of, but not in addition to, the amount of the award or settlement. If the award or settlement is \$500 or more, the fee shall not exceed 10 percent of the amount of the award or settlement.

§ 1204.309 NASA officials authorized to settle tort claims.

The following NASA officials are authorized to consider, ascertain, adjust, determine, and settle claims covered by this subpart to the extent provided below:

(a) The General Counsel and Deputy General Counsel at NASA Headquarters are authorized to consider, ascertain, adjust, determine, and settle any such claim.

(b) The Chief Counsel assigned to a NASA field installation is authorized to consider, ascertain, adjust, determine, and settle any such claim not exceeding \$1,000 arising from the activities of that installation.

(c) In addition, authority to act upon claims not exceeding \$1,000 arising at:

(1) The Wallops Station is vested in the Chief Counsel, Langley Research Center,

(2) The Ames Research Center and the Flight Research Center is vested in the Chief Counsel, Western Operations Office,

(3) The Space Task Group is vested in the Chief Counsel, Langley Research Center, until a Chief Counsel has been assigned at the Space Task Group.

(d) Claims arising at the Lewis Research Center shall continue to be referred to the General Counsel, NASA

Headquarters, until a Chief Counsel has been assigned at Lewis Research Center.

JAMES E. WEBB,
Administrator.

[F.R. Doc. 61-6404; Filed, July 7, 1961;
8:46 a.m.]

Title 33—NAVIGATION AND NAVIGABLE WATERS

Chapter II—Corps of Engineers, Department of the Army

PART 204—DANGER ZONE REGULATIONS

Atlantic Ocean Off Delaware Coast

Pursuant to the provisions of Chapter XIX of the Army Appropriation Act of July 9, 1918 (40 Stat. 892; 33 U.S.C. 3), § 204.25 is hereby amended revoking paragraph (a) (1) and prescribing the periods of use of Army antiaircraft artillery firing areas in the Atlantic Ocean off the Delaware Coast during the calendar year 1961, effective upon publication in the FEDERAL REGISTER since firing is scheduled for July 10, as follows:

§ 204.25 Atlantic Ocean off Delaware Coast; antiaircraft artillery firing areas, Second United States Army.

(a) *The danger zones.* (1) [Revoked]

* * * * *

(b) *The regulations.* * * *

(2) Firing will take place on certain days other than Saturdays, Sundays and national holidays, as listed in public notice to be issued each year by the District Engineer, U.S. Army Engineer District, Philadelphia, Pennsylvania.

NOTE: Firing is scheduled to take place on the following days in 1961 (all dates inclusive):

July 10 to 14, 17 to 21, 31.

August 1 to 4, 7 to 11, 21 to 25, 28 to 31.

September 1.

[Regs., June 12, 1961, 285/91 (Atlantic Ocean, Del.)—ENGOW-ON] (Ch. XIX, 40 Stat. 892; 33 U.S.C. 3)

R. V. LEE,
Major General, U.S. Army,
The Adjutant General.

[F.R. Doc. 61-6478; Filed, July 7, 1961;
8:51 a.m.]

Title 39—POSTAL SERVICE

Chapter I—Post Office Department

SUBCHAPTERS K-R—INTERNATIONAL MAIL

INTERNATIONAL POSTAGE RATES AND FEES

Correction

In F.R. Doc. 61-5864, appearing at page 5670 of the issue for Saturday, June 24, 1961, the following corrections are made in the table of rates for all airmail and for surface parcel post:

1. For Chile, the entry under Parcel Post, first 4 oz., should read "1.85" instead of "1.05".

2. For Congo (Brazzaville and Leopoldville), the entry under Surface Parcel Post, each additional pound or fraction, should read ".35" instead of ".33".

3. For Dahomey, the entry under Other articles (prints, samples, small packets, etc.), first 2 oz., should read ".50" instead of ".30".

4. For Fiji Islands, the entry under Parcel Post, each additional 4 oz. or fraction, should read ".56" instead of ".36".

5. For Gabon Republic, the entry under Parcel Post, each additional 4 oz. or fraction, should read ".67" instead of ".6".

6. For Gambia, the entry under Other articles (prints, samples, small packets, etc.), first 2 oz., should read ".50" instead of ".30".

7. For Ghana, the entry under Parcel Post, each additional 4 oz. or fraction, should read ".58" instead of ".56".

8. For Guatemala, the entry under Surface Parcel Post, first 2 pounds, should read ".80" instead of ".90".

Title 41—PUBLIC CONTRACTS

Chapter 2—Federal Aviation Agency

PART 2-3—PROCUREMENT BY NEGOTIATION

Subpart 2-3.3—Determinations, Findings and Authorities

This chapter is supplemented as follows:

Sec.

2-3.301 Determinations and findings required.

2-3.302 Form and requirements of determinations and findings; preservation of data.

2-3.350 Selection of appropriate authority and citation.

AUTHORITY: §§ 2-3.301, 2-3.302, and 2-3.350 issued under secs. 303, 313, 72 Stat. 747, 752; 49 U.S.C. 1344, 1354.

§ 2-3.301 Determinations and findings required.

(a) Formal written findings and determinations (F&D) are required by law to be made and filed with the contract in every case negotiated under §§ 1-3.211 through 1-3.214 of this title. In addition F&D shall be prepared to support negotiation under §§ 1-3.202 and 1-3.210 of this title. F&D for these purposes shall be entitled "Authority for Negotiation."

(b) The findings and determinations required, in a particular case, by § 1-3.301 (a) and (b) of this title shall be combined into a single F&D entitled "Method of Contracting."

(c) F&D required by § 1-3.301 (c) of this title shall be entitled "Rejection of Bids" and shall be prepared and signed before any action is taken to readvertise or negotiate for the requirements. If the requirements are to be procured by negotiation based on such rejection, a combined "Rejection of Bids" and "Authority for Negotiation F&D" may be used.

§ 2-3.302 Form and requirements for determinations and findings; preservation of data.

(a) *General.* F&D may be made with respect to (1) individual, or (2) classes of purchases or contracts, and shall be final. F&D for class purchases or contracts shall state period of time determination will be effective. This period of time shall be kept to a minimum consistent with the requirements and interests of the Government, and in any event shall not exceed three years.

(b) *Responsibility.* (1) F&D made under the following sections of this title are to be prepared for signature of the Administrator:

§ 1-3.211 (41 U.S.C. 252(c)(11)) Experimental, developmental or research work in excess of \$25,000.

§ 1-3.212 (41 U.S.C. 252(c)(12)) Purchases not to be publicly disclosed for reasons of national security.

§ 1-3.213 (41 U.S.C. 252(c)(13)) Technical equipment requiring standardization and interchangeability of parts.

(2) F&D to be signed by the Administrator shall be prepared by the contracting officer concerned and forwarded to the Administrator through the Head of the originating Bureau or Office. To reduce the volume of individual F&D required to be signed by the Administrator, maximum use shall be made of class F&D.

(3) Authority to make F&D under the following sections of this title is delegable to the contracting officers of the Agency and shall be executed by such officers to the extent that this authority is formally delegated to them:

§ 1-3.201 (41 U.S.C. 252(c)(1)) National emergency.

§ 1-3.202 (41 U.S.C. 252(c)(2)) Public exigency.

§ 1-3.210 (41 U.S.C. 252(c)(10)) Impracticable to secure competition by formal advertising.

§ 1-3.211 (41 U.S.C. 252(c)(11)) Experimental, developmental or research work not exceeding \$25,000.

§ 1-3.214 (41 U.S.C. 252(c)(14)) Negotiation after advertising.

§ 1-3.301 (a) and (b) (41 U.S.C. 254(b)) Estimated cost, fee, and type of contract.

§ 1-3.301(c) (41 U.S.C. 253(b)) Rejection of bids.

(c) *Format.* (1) To the greatest extent practicable, each F&D should be limited to a single page.

(2) *Heading:* The following heading should be used:

Federal Aviation Agency
Findings and Determinations
(Type of F&D—See § 2-3.301)

(3) *Findings:* This section shall set forth a brief description of the property or services being procured, estimated cost (including, when applicable, a statement of the fee and an explanation of any deviation from Agency fee limitations contained in § 2-3.404-3), the amount of competition being sought, or if no competition is intended, the basis for this decision. In F&D justifying the method of contracting, the reasons for selecting the particular type of contract must be explained. Other findings shall be set forth as concisely as possible, confining them to facts which are relevant to support the one or more determinations being made.

(4) *Determination:* The determination(s) shall be confined to the requirements of the particular language of the applicable section of the statute, or of Subpart 1-3.2 of this title. The determination(s) must be clearly supported by the findings made. In every case, the determination shall specifically cite the applicable statute. Examples:

Upon the basis of these findings and determinations, the proposed contract may be negotiated without formal advertising pursuant to 41 U.S.C. 252(c) (insert applicable subsection).

Upon the basis of these findings, I hereby determine, pursuant to 41 U.S.C. 254(b), that the estimated cost of the contract, exclusive of the fee, is \$-----, and that the fee in the amount of \$----- is reasonable and within statutory and administrative limitations.

Upon the basis of these findings, I hereby determine, pursuant to 41 U.S.C. 254(b), that the use of (insert type of contract) is likely to be less costly than other methods of contracting.

Upon the basis of these findings, I hereby determine, pursuant to 41 U.S.C. 253(b), that it is in the public interest to reject all bids.

(5) *Signature identification:* For F&D to be signed by the Administrator, his name and title only shall be typed below the space left for his signature. For all other F&D, show, in addition to the name and title of the signer, the appropriate Bureau or Office and a field office identification (if any) such as: Eastern Region, Facilities and Materiel Depot, NAFEC.

(d) *Filing.* A minimum of two copies of each individual type F&D shall be made and executed, a copy filed with the General Accounting Office copy of the contract, and the original filed in the procurement office's contract file.

A minimum of three copies of class type F&D shall be made with two copies filed as stated above, and the third copy, with contract number and name of contractor cited, forwarded to the Materiel Policy Division, Office of Management Services, for circulation as deemed appropriate for information to other procurement offices within the Agency. Subsequent contract actions based on a class F&D shall reference the initial file by contract number and name of contractor.

(e) *Numbering.* It is left to the discretion of each originating office whether consecutive numbering or other identification will result in any benefit for filing or other purposes.

§ 2-3.350 Selection of appropriate authority and citation.

(a) Where specific authority to negotiate is contained in FAA legislation, that authority shall be used, where applicable, in preference to any other. In all other cases where authority to negotiate may be derived from more than one source, that source shall be selected which most specifically corresponds with all of the circumstances of the particular procurement. Authority to negotiate contained in section 3709 of the Revised Statutes shall not be used.

(b) With respect to the use of authorities contained in section 302(c) of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 252(c)), the use of subsection (10) shall be limited to those situations where none of the other subsections can appropriately be used.

(c) Every contract entered into by negotiation, and every related Authority for Negotiation F&D, shall contain a citation to the statutory authority used. Agency or general legislative authority used may be cited by the section and short title of the Act, by appropriate U.S. Code reference, or by a combination of the two. Authority derived from section 302(c) of the Federal Property and Administrative Services Act of 1949 shall in all cases be cited by appropriate U.S. Code reference.

Effective date: These regulations are effective July 17, 1961.

Dated: June 30, 1961.

ALAN L. DEAN,
Assistant Administrator
for Management Services.

[F.R. Doc. 61-6396; Filed, July 7, 1961;
8:45 a.m.]

Proposed Rule Making

DEPARTMENT OF LABOR

Wage and Hour Division

[29 CFR Ch. V]

[Administrative Order No. 551]

INDUSTRY COMMITTEES FOR NEWLY COVERED EMPLOYEES

Notice of Hearings

Proviso (2) of subsection 6(c) of the Fair Labor Standards Act of 1938, as amended by the Fair Labor Standards Amendments of 1961 (sec. 5(c), P.L. 87-30, 87th Cong., May 5, 1961), provides for the appointment of a special industry committee under section 5 (29 U.S.C. 205) of the Act to recommend in accordance with the standards prescribed by section 8 (29 U.S.C. 208) the minimum wage rate or rates payable to each employee in Puerto Rico to whom subsection 6(b) of the Act, as amended by the Fair Labor Standards Amendments of 1961, would otherwise apply; i.e. to employees in Puerto Rico entitled to its minimum wage benefits for the first time by reason of the 1961 Amendment.

Pursuant to the aforesaid proviso and as authorized by section 5 of the Act, I hereby appoint separate industry committees to make such recommendations for particular industries, and pursuant to section 8 of the Act and Reorganization Plan No. 6 of 1950 (3 CFR 1949-53 Comp., p. 1004), I hereby convene these industry committees and give notice of the hearings to be held by them.

The names of the members of these committees will be published in the *FEDERAL REGISTER* at a later date.

The industry committees are designated as follows:

Industry Committee No. NC 1 for the wholesaling, warehousing, and other distribution industry in Puerto Rico; Industry Committee No. NC 2 for the construction, business service, banking, insurance, finance, and motion picture industry in Puerto Rico; Industry Committee No. NC 3 for the communications, utilities, and transportation industry in Puerto Rico; and Industry Committee No. NC 4 for the manufacturing and miscellaneous industry in Puerto Rico. Excluded from each such industry, are all activities for which employees were entitled to minimum wage benefits under section 6 of the Act prior to the Fair Labor Standards Amendments of 1961.

For the purpose of this order, the wholesaling, warehousing, and other distribution industry in Puerto Rico is defined as follows:

The wholesaling, warehousing, and other distribution of commodities, including, but without limitation, the wholesaling, warehousing, and other distribution activities of jobbers, importers and exporters, manufacturers' sales branches and offices engaged in distributing products manufactured outside of Puerto

Rico, industrial distributors, mail order and retail selling establishments, brokers and agents, and public warehouses: *Provided, however,* That the industry shall not include the activities of employees who are engaged in wholesaling, warehousing, and other distribution of products manufactured by their employer in Puerto Rico, the activities of gasoline service establishments, or any activities included in the definition of the communications, utilities, and transportation industry in Puerto Rico in this order, in the definition of the tobacco industry in Puerto Rico (29 CFR Part 657), or in the definition of the food and related products industry in Puerto Rico (29 CFR Part 673).

For the purpose of this order, the construction, business service, banking, insurance, finance, and motion picture industry in Puerto Rico is defined as follows:

The design, construction, reconstruction, alteration, repair, and maintenance of buildings, structures, and other improvements; the assembling at the construction site and the installation of machinery and other facilities in or upon buildings, structures, and other improvements; the dismantling, wrecking, or other demolition of buildings, structures, and other improvements; the activity carried on by any business or nonprofit enterprise performing real estate, professional, advertising, education, or research activities, or engaged in the furnishing of other facilities or services to industrial or commercial establishments or to the consumer, including the activities of gasoline service establishments; the business whether or not for profit carried on by any bank, insurance, or other financial institution or enterprise; and the production of photographs and blueprints, the production and distribution of motion pictures and all activities incidental thereto. *Provided, however,* That the industry shall not include any activity carried on by an establishment primarily engaged in another industry in Puerto Rico for its own use.

For purpose of this order, the communications, utilities, and transportation industry in Puerto Rico is defined as follows:

The industry carried on by any wire or radio system of communication, or by messenger service; by any concern engaged in the production and distribution of gas, electricity, or steam, the distribution of water, or the operation of sanitation facilities; and by any concern engaged in transportation for compensation by air, water, rail, motor vehicle, pipeline, or other means, or in related activities, including the operation of travel bureaus and ticket agencies, stevedoring, consolidating, forwarding, crating, and boxing: *Provided, however,* That the industry shall not include railroad transportation activities carried on by a producer of raw sugar, cane juice, molasses, refined sugar, and inci-

dental by-products (or by any firm owned or controlled by or owning and controlling such producer, or by any firm owned or controlled by the parent company of such producer), where the railroad transportation activities are in whole or in part used for the production or shipment of these products, and any transportation activities by truck or other vehicle performed by a producer of these products in connection with the production or shipment of such products by such producer.

For the purpose of this order, the manufacturing and miscellaneous industry in Puerto Rico is defined as follows:

The engagement in the mechanical or chemical transformation of inorganic or organic substances into new products, including the assembling of component parts of such products; or in any activities involving the employment of employees in industry or enterprise in Puerto Rico except in the wholesaling, warehousing, and other distribution industry in Puerto Rico; the construction, business service, banking, insurance, finance, and motion picture industry in Puerto Rico; and the communications, utilities and transportation industry in Puerto Rico, as these industries are defined herein.

I hereby refer to each of the above-named industry committees the question of the minimum wage rate or rates to be fixed for the industry with which it is concerned. Each industry committee shall investigate conditions in its industry, and the committee, or any authorized subcommittee thereof, shall hear such witnesses and receive such evidence as may be necessary or appropriate to enable the committee to perform its duties and functions under the Act.

Industry Committee No. NC 1 shall convene at 10:00 a.m., on July 31, 1961, in the office of the Wage and Hour and Public Contracts Divisions, United States Department of Labor, New York Department Store Building, Fortaleza and San Jose Streets, San Juan, Puerto Rico, to conduct its investigation and shall commence its hearing at 2:00 p.m., on the same date at the same place. Following this hearing, Industry Committees NC 2, 3, and 4 shall convene in the same place at hours designated by their respective chairmen to conduct their investigations and hold their hearings.

Each of the industry committees shall recommend to the Secretary of Labor the highest minimum wage rates for the industry which it determines, having due regard to economic and competitive conditions, will not substantially curtail employment in the industry, and will not give any industry in Puerto Rico a competitive advantage over any industry in the United States outside of Puerto Rico, the Virgin Islands, and American Samoa. No committee shall recommend minimum rates of wages in excess of \$1 an hour, as provided in subsection 6(b) of the Act.

[29 CFR Part 694]

[Administrative Order No. 552]

SPECIAL INDUSTRY COMMITTEE FOR THE VIRGIN ISLANDS**Appointment; Convention; Notice of Hearing**

Whenever an industry committee finds that a higher minimum wage may be determined for employees engaged in certain activities or in the manufacture of certain products in the industry than may be determined for other employees in the industry, the industry committee shall recommend such reasonable classifications within the industry as it determines to be necessary for the purpose of fixing for each classification the highest minimum wage rate that can be determined for it (not in excess of \$1 an hour as prescribed in subsection 6(b) of the Act), under the principles set forth herein, which will not substantially curtail employment in such classification and will not give a competitive advantage to any group in the industry. No classification shall be made, however, and no minimum wage rate shall be fixed solely on a regional basis or on the basis of age or sex.

In determining whether there should be classifications within an industry, in making such classifications, and in determining the minimum wage rates for such classifications, each industry committee shall consider, among other relevant factors, the following: (1) Competitive conditions as affected by transportation, living and production costs; (2) the wages established for work of like or comparable character by collective labor agreements negotiated between employers and employees by representatives of their own choosing; and (3) wages paid for work of like or comparable character by employers who voluntarily maintain minimum wage standards in the industry.

The Administrator of the Wage and Hour and Public Contracts Divisions shall prepare an economic report for each industry committee containing such data as he is able to assemble pertinent to the matters referred to the committee. Copies of each such report may be obtained prior to the hearings at the Washington and Puerto Rican offices of the United States Department of Labor as soon as they are completed. Each industry committee shall take official notice of the facts stated in the economic report for the industry referred to it to the extent that such facts are not refuted by evidence received at the hearings.

The procedure of each industry committee shall be governed by the procedure published in 29 CFR Part 511, except to the extent that the subjects and issues prescribed in § 511.10 of that part have been modified by this document by indicating that the highest minimum wage rate or rates recommended by the industry committees shall not exceed that prescribed in subsection 6(b) instead of subsection 6(a) of the Act. As a prerequisite to participation, these regulations require, among other things, that interested persons file pre-hearing statements containing certain specified data not later than July 21, 1961.

Signed at Washington, D.C., this 3d day of July 1961.

W. WILLARD WIRTZ,
Acting Secretary of Labor.

[F.R. Doc. 61-6395; Filed, July 5, 1961;
1:02 p.m.]

Pursuant to section 5 of the Fair Labor Standards Act of 1938 (29 U.S.C. 205) and Reorganization Plan No. 6 of 1950 (3 CFR 1949-53 Comp., p. 1004) and pursuant to proviso (2) of subsection 6(c) of the aforementioned Act, as amended by the Fair Labor Standards Amendments of 1961 (sec. 5(c), Pub. Law 87-30), I hereby appoint Special Industry Committee No. 7 for the Virgin Islands to recommend the minimum rate or rates of wages to be paid under section 6 of the aforementioned Act to employees engaged in commerce or in the production of goods for commerce or in any enterprise engaged in commerce or in the production of goods for commerce.

The names of the members of this committee will be published in the FEDERAL REGISTER at a later date.

Pursuant to section 8 of the Fair Labor Standards Act of 1938 (29 U.S.C. 208), Reorganization Plan No. 6 of 1950 (3 CFR 1949-53 Comp., p. 1004), and the Fair Labor Standards Amendments of 1961 (secs. 5(c), 7; Pub. Law 87-30), I hereby:

(a) Convene Special Industry Committee No. 7 for the Virgin Islands;

(b) Refer to it the following: (1) The question of the minimum rate or rates of wages to be fixed for all industry wherein employees are engaged in commerce or in the production of goods for commerce, and (2) the question of the minimum rate or rates of wages to be fixed for employees covered by the Act for the first time by reason of the 1961 Amendments (i.e., those employed in any enterprise engaged in commerce or in the production of goods for commerce or who are covered by virtue of amendments made to section 13(a) of the Act); and

(c) Give notice of its hearing, at the times and places indicated below, which shall be consolidated with respect to the questions referred to the committee since the interested persons involved are likely to be substantially the same and the questions so referred are closely related. The special industry committee shall investigate conditions in all industry in the Virgin Islands, and the committee, or any authorized subcommittee thereof, shall hear such witnesses and receive such evidence as may be necessary or appropriate to enable the committee to perform its duties and functions under the Act.

The special industry committee shall meet in executive session at 10:00 a.m. on September 25, 1961, in the Federal Court Room in Christiansted, St. Croix, Virgin Islands, and shall commence its hearing at 2:00 p.m. on the same day at the same place. Upon completion of its proceedings at St. Croix, the committee shall move the conduct of the proceedings to the legislative Chamber in Charlotte Amalie, St. Thomas, Virgin Islands, where the hearing will be resumed at 10:00 a.m. on September 27, 1961.

The special industry committee shall recommend to the Administrator of the Wage and Hour and Public Contracts Divisions of this Department the highest minimum wage rates (in the case of question (1) referred to the committee, not exceeding the minimum wage rate of \$1.15 prescribed in subsection 6(a) of the Act, and in the case of question (2) referred to the committee, not exceeding the minimum wage rate of \$1.00 prescribed in subsection 6(b) of the Act) which it determines, having due regard to economic and competitive conditions, will not substantially curtail employment in the industry and will not give any industry in the Virgin Islands a competitive advantage over any industry in the United States outside of Puerto Rico, the Virgin Islands, and American Samoa.

Whenever the committee finds that a higher minimum wage may be determined for employees engaged in certain activities or in the manufacture of certain products in an industry than may be determined for other employees in that industry, the committee shall recommend such reasonable classifications within that industry as it determines to be necessary for the purpose of fixing for each classification the highest minimum wage rate that can be determined for it under the principles set forth herein which will not substantially curtail employment in such classifications and will not give a competitive advantage to any group in the industry. No classification shall be made, however, and no minimum wage rate shall be fixed solely on a regional basis or on the basis of age or sex. In determining whether there should be classifications within an industry, in making such classifications, and in determining the minimum wage rates for such classifications, the committee shall consider, among other relevant factors, the following: (1) Competitive conditions as affected by transportation, living, and production costs; (2) wages established for work of like or comparable character by collective labor agreements negotiated between employers and employees by representatives of their own choosing; and (3) wages paid for work of like or comparable character by employers who voluntarily maintain minimum wage standards in the industry.

The Administrator shall prepare an economic report containing such data as he is able to assemble pertinent to the matters referred to the committee. Copies of these reports may be obtained at the National and Puerto Rican Offices of the United States Department of Labor as soon as they are completed and prior to the hearing. The committee will take official notice of the facts stated in the economic report to the extent they are not refuted by evidence received at the hearing.

The procedure for Special Industry Committee No. 7 for the Virgin Islands shall be governed by the regulations published in Part 511 of Title 29, Code of Federal Regulations, except to the extent that § 511.10 dealing with subjects and issues has been modified by this document. As a prerequisite to participation, those regulations require, among other things, that interested persons

shall file prehearing statements, containing certain specified data, not later than September 15, 1961.

Signed at Washington, D.C., this 3d day of July 1961.

W. WILLARD WIRTZ,
Acting Secretary of Labor.

[F.R. Doc. 61-6394; Filed, July 5, 1961;
1:02 p.m.]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Food and Drug Administration

[21 CFR Part 120]

ESTABLISHMENT OF TOLERANCES FOR RESIDUES OF o-ARSENIC ACID

Notice of Withdrawal of Petition

Pursuant to the provisions of the Federal Food, Drug, and Cosmetic Act (sec. 408(d)(1), 68 Stat. 512, as amended 52 Stat. 1784; 21 U.S.C. 346a(d)(1)), the following notice is issued:

In accordance with § 120.8 *Withdrawal of petitions without prejudice*, of the general regulations for setting tolerances and granting exemptions from tolerances for pesticide chemicals in or on raw agricultural commodities (21 CFR 120.8), The Arsenic Industry Committee, care of S. Anderson Peoples, M.D., Davis, California, has withdrawn its petition for the establishment of a tolerance of 5 parts per million for residues of o-arsenic acid expressed as As_2O_3 in or on raw cottonseed, notice of which was published in the FEDERAL REGISTER of March 22, 1961 (26 F.R. 2412).

The withdrawal of this petition is without prejudice to a future filing.

Dated: June 29, 1961.

[SEAL] ROBERT S. ROE,
Director, Bureau of
Biological and Physical Sciences.

[F.R. Doc. 61-6409; Filed, July 7, 1961;
8:46 a.m.]

[21 CFR Part 120]

ESTABLISHMENT OF TOLERANCES FOR RESIDUES OF RONNEL

Notice of Withdrawal of Petition

Pursuant to the provisions of the Federal Food, Drug, and Cosmetic Act (sec. 408(d)(1), 68 Stat. 512, as amended, 52 Stat. 1784; 21 U.S.C. 346a(d)(1)), the following notice is issued:

In accordance with § 120.8 *Withdrawal of petitions without prejudice*, of the general regulations for setting tolerances and granting exemptions from tolerances for pesticide chemicals in or on raw agricultural commodities (21 CFR 120.8), The Dow Chemical Company, Midland, Michigan, has withdrawn its petition for the establishment of a tolerance of 10 parts per million for residues of ronnel (o,o-dimethyl o-(2,4,5-trichlorophenyl) phosphorothioate) in the fat of cattle, goats, hogs, and sheep, notice of which was published in

the FEDERAL REGISTER of March 22, 1961 (26 F.R. 2412).

The withdrawal of this petition is without prejudice to a future filing.

Dated: June 29, 1961.

[SEAL] ROBERT S. ROE,
Director, Bureau of
Biological and Physical Sciences.

[F.R. Doc. 61-6410; Filed, July 7, 1961;
8:46 a.m.]

FEDERAL AVIATION AGENCY

[14 CFR Part 60]

[Reg. Docket No. 787; Draft Release
No. 61-15]

AIR TRAFFIC RULES

Establishment of Certain Standard Altimeter Setting

Correction

In F.R. Doc. 61-6217, appearing at page 6001 of the issue for Tuesday, July 4, 1961, the first parenthetical designation in the sixth paragraph should read "(QNE)" instead of "(ONE)".

[14 CFR Part 601]

[Airspace Docket No. 61-NY-24]

CONTROLLED AIRSPACE

Alteration of Control Zone

Pursuant to the authority delegated to me by the Administrator (14 CFR 409.13), notice is hereby given that the Federal Aviation Agency is considering an amendment to § 601.2078 of the regulations of the Administrator, the substance of which is stated below.

The Danville, Va., control zone is presently designated within a 5-mile radius of the Danville Municipal Airport, within 2 miles either side of a 057° bearing extending from the Danville radio beacon to a point 10 miles northeast, and within 2 miles either side of the Danville VOR 207° True radial extending from the VOR to a point 10 miles southwest.

The Federal Aviation Agency has under consideration the following alterations to the Danville control zone:

1. Revoke the control zone extension based on the 057° bearing of the Danville radio beacon. This extension would no longer be required for the protection of aircraft as the Danville radio beacon is scheduled to be decommissioned in the near future in accordance with the Federal Aviation Agency L/MF decommissioning program. Non-rule making procedures proposing discontinuance of the Danville beacon will be initiated in accordance with current Agency practice. These procedures afford interested persons an opportunity to comment on such action. The prescribed instrument approach based on the Danville beacon would be cancelled concurrently with the discontinuance of this facility. The Danville VOR, a more modern navigational facility, is available to provide adequate navigational aid to terminal traffic.

2. Alter the control zone extension based on the 207° True radial of the

Danville VOR by redesignating it on the 208° True radial of the VOR to extend from the 5-mile radius zone to 12 miles southwest of the VOR. This would align the extension to coincide with the final approach course and would provide protection for aircraft executing the procedure turn portion of the prescribed VOR approach which is authorized within 10-nautical miles of the VOR.

If this action is taken, the Danville, Va., control zone would be designated within a 5-mile radius of the Danville Municipal Airport (latitude 36°34'20" N., longitude 79°20'05" W.), and within 2 miles either side of the 208° True radial of the Danville VOR extending from the 5-mile radius zone to 12 miles southwest of the VOR.

Interested persons may submit such written data, views or arguments as they may desire. Communications should be submitted in triplicate to the Chief, Air Traffic Management Division, Federal Aviation Agency, Federal Building, New York International Airport, Jamaica 30, N.Y. All communications received within forty-five days after publication of this notice in the FEDERAL REGISTER will be considered before action is taken on the proposed amendment. No public hearing is contemplated at this time, but arrangements for informal conferences with Federal Aviation Agency officials may be made by contacting the Regional Air Traffic Management Division Chief, or the Chief, Airspace Utilization Division, Federal Aviation Agency, Washington 25, D.C. Any data, views or arguments presented during such conferences must also be submitted in writing in accordance with this notice in order to become part of the record for consideration. The proposal contained in this notice may be changed in the light of comments received.

The official Docket will be available for examination by interested persons at the Docket Section, Federal Aviation Agency, Room B-316, 1711 New York Avenue NW., Washington 25, D.C. An informal Docket will also be available for examination at the office of the Regional Air Traffic Management Division Chief.

This amendment is proposed under section 307(a) of the Federal Aviation Act of 1958 (72 Stat. 749; 49 U.S.C. 1348).

Issued in Washington, D.C., on June 30, 1961.

CHARLES W. CARMODY,
Chief, Airspace Utilization Division.

[F.R. Doc. 61-6400; Filed, July 7, 1961;
8:45 a.m.]

FEDERAL COMMUNICATIONS COMMISSION

[47 CFR Part 3]

[Docket No. 14119]

RADIO BROADCAST SERVICES

Financial Interests; Extension of Time for Filing Comments

In the matter of broadcast announcement of financial interests of broadcast

stations and networks and their principals and employees in service and commodities receiving broadcast promotions, Docket No. 14119.

1. In the notice of proposed rule making initiating this proceeding on May 12, 1961, comments were scheduled to be received no later than June 19, 1961, and reply comments no later than July 10, 1961.

2. It now appears that, owing to the complexity of the problems raised by the proposed rule and the press of other matters, it will not be practicable for the Commission to consider and act upon the comments filed herein before the August recess. In these circumstances, and in the desire to afford interested persons the fullest opportunity to consider and comment upon the problems raised by the proposed rule, it is believed desirable to extend the time for filing comments herein.

3. Accordingly, it is ordered, That the time for filing comments in this proceeding is extended to July 31, 1961, and for reply comments, to August 15, 1961.

Dated: June 29, 1961.

Released: July 3, 1961.

FEDERAL COMMUNICATIONS

COMMISSION,

[SEAL] BEN F. WAPLE,

Acting Secretary.

[F.R. Doc. 61-6433; Filed, July 7, 1961; 8:49 a.m.]

[47 CFR Part 3]

[Docket No. 14185; FCC 61-833]

RADIO BROADCAST SERVICES

Notice of Inquiry, Notice of Proposed Rule Making, and Memorandum Opinion and Order

In the matter of revision of FM broadcast rules, particularly as to allocation and technical standards, Docket No. 14185; petitions of: Joseph D. Worth, RM-33; FM Unlimited, Inc., RM-94; Charles River Broadcasting Co., RM-159; for changes in FM station assignment rules.

Table of Contents

	Paragraph
INTRODUCTION.....	1
I. History and development of FM.....	3
II. Over-all objectives and problems.....	6
Relationship with AM.....	8
Need for an overall plan.....	11
Individual consideration of applications.....	17
Administrative problems.....	18
III. Conclusions as to general approach.....	20
IV. Specific proposals concerning over-all allocation plan.....	21
A. Type of plan to be adopted.....	22
B. Propagation curves to be used.....	26
C. Signal ratios for interference.....	28
D. Classes of stations and channels: noncommercial stations.....	30
E. Classes of stations and channels: commercial stations.....	31
Channels for commercial stations.....	33
low power (class A).....	33
intermediate and high power.....	33
Assignment plan I and II.....	34
Alaska and Hawaii.....	36

Table of Contents—Continued

	Paragraph
IV. Specific proposals concerning over-all allocation plan—Continued	
F. Station facilities, protection, spacing.....	38
General principles.....	38
Protection from interference.....	43
The Commission's proposals.....	46
Adjacent-channel protection.....	51
G. Equivalence.....	53
H. Minimum facilities.....	54
I. Relationship of plan to existing facilities.....	55
V. Pending petitions for FM rule changes.....	58
VI. Other assignment matters on which rules may be adopted.....	64
VII. Other subjects relating to assignments on which comments are requested.....	65
VIII. Questions not relating directly to FM station assignments.....	66
IX. Summary and conclusions.....	68
Appendix A.....	

INTRODUCTION

1. With the availability of new technical information, and for other reasons, the time has come when the public interest requires the Commission to take a close look at the FM broadcast service, its present situation, and its possibilities for future development—particularly, though not exclusively, in the area pertaining to station assignment criteria. The considerations impelling the present inquiry are detailed below; principally, they relate to two general questions: (1) whether the present system of station assignments is the one best suited to optimum development of this important broadcast service, or, if not, what changes should be instituted; (2) how the development and expansion of the FM service can be achieved without the serious administrative burdens and great delays inherent in present standard broadcast station assignment principles.

2. In connection with this examination, information is sought on a number of subjects, mentioned below, and in this respect the present proceeding is one of inquiry. However, our own examination of available data and the pertinent factors has also led us to certain tentative conclusions as to what changes in FM assignment rules and principles may be most in the public interest. These consist of certain proposals discussed in Section IV hereof and set out in detail in Appendix A of this document. With respect to some of the subjects covered, the present proceeding is a rule-making proceeding and rules consistent with the notice may be adopted without further rule-making if such a course seems desirable. See paragraph 72.

I. *History and development of FM broadcasting.* 3. The FM (frequency modulated) broadcast service has some distinct advantages over the AM (amplitude modulated), or standard, broadcast service which has developed in the medium frequency range. These advantages stem in about equal part from the propagation and other characteristics of the frequencies used for FM (88 to 108 mc), and the characteristics of the modulation system employed. Because of these factors, FM is relatively free from atmospheric and man-made noise, and interference between stations, even co-channel stations, is both

lesser in extent and less objectionable in form than is true in AM (or at least can be if high-quality FM receivers are used). As there is essentially no difference between day and night propagation conditions at the frequencies used by FM, stations have relatively uniform day and night service areas and there is no necessity for the use of different assignment principles day and night, as there is in the standard broadcast band.

4. FM broadcasting was first authorized by the Commission in 1940, and the first commercial station began operation in 1941. In 1945, the service was shifted to its present space in the spectrum, the band of 20 mc from 88 to 108 mc, which is divided into 100 channels each 200 kc wide. These 100 channels are designated by number, from 201 to 300. The lowest 20 of the 100 are reserved for non-commercial educational use. Of the remaining 80, 20, interspersed through the FM spectrum from Ch. 221 to Ch. 296, are allocated for use by low-power "Class A" stations. The remaining 60 channels are allocated for use by higher-powered "Class B" stations. After the initial spurt of 1946 and 1947 growth of the service was slow; in 1955 the number of commercial FM stations stood at 560. However, in more recent years the service has expanded quite rapidly, so that there are now authorized about 1,250 FM stations, of which roughly 190 are noncommercial educational, 110 are low-power Class A, and 950 are Class B. By states, California (142), Ohio (90), New York (79), and Pennsylvania (78) lead in number of authorizations; there are no stations authorized in 4 states (Montana, North and South Dakota, and Vermont). In the northeastern states generally, in parts of California, and in other smaller areas such as around Chicago, there is a high concentration of stations and new assignments are not easy to make.

5. The present basis of FM station assignment is discussed at length below. In 1945, at the time of the shift of the service to its present band, the Commission put into effect a tentative table of assignments, under which particular FM channels were assigned to particular cities.

In August 1958 we abandoned the principle of a fixed table assigning specific channels to specific communities, and deleted the FM Table. FM assignments are now made on the same general basis as AM assignments—an applicant proposes to use a particular channel, and (if his application complies with our rules and he is otherwise qualified) the only consideration is whatever interference will be caused to co-channel and adjacent-channel stations. One of the principal considerations prompting us to the present inquiry is that, in our view, there is need to re-assess the merits of the station assignment pattern evolving under this procedure.

II. *Over-all objectives and problems.* 6. The FM service, like standard broadcasting, is an aural medium. We have stated the objectives in the standard broadcast service in the following terms:

(a) Provision of some service of satisfactory signal strength to all areas of the country;

(b) Provision of as many program choices to as many listeners as possible; and

(c) Service of local origin to as many communities as possible.

7. To some extent, in FM and in AM, these objectives conflict. Fortunately, with a multiplicity of channels it is possible, as has been done in AM, to classify channels and stations so that conflicting objectives can be served. Achievement of the third objective stated, and to some extent the second also, is furthered by provision for a multiplicity of stations. Assignment of a large number of stations to a single channel imposes a limitation, by reason of mutual interference, on the extent of service from the individual station. On the other hand, achievement of the first objective, and to some extent the second, is at least in some situations furthered by provision for stations able to serve wide areas—operating with as high power and antenna height as is practical, and protected from interference out to the point where their signals become too weak to be generally useful, or nearly to that point. Only by this means, it appears, can service be provided to rural areas and sparsely settled portions of the nation. The same result cannot be obtained from assignment of a large number of low-powered, more closely spaced stations, for the reason that a station causes destructive co-channel interference over an area much wider than that within which it renders a useful service, so that there will always be wide gaps between the service areas of co-channel stations. Were stations located ideally from a geometric standpoint, probably these gaps would be filled in by service from stations on other, non-adjacent channels; but stations are not located on this basis. They are located in communities large enough to provide population and economic support. Therefore, it appears there will always be a need for a certain number of wide-area stations, especially in sparsely settled areas. Our specific proposal herein—Appendix A—provides for such operation, known as "Class C" stations. Comments are invited upon the general question of whether, and to what extent, such stations are necessary in the various parts of the country.

8. *Relationship with AM.* To a large extent, in the past we have treated these media separately, looking at each and its problems and development without regard to the other. They are both aural media, however. The differences are purely technological and do not connote any distinction in the subject matter which may be broadcast with either system. Consideration of some of these technological differences in light of the objectives mentioned above discloses that each of the two media has some characteristics lacking in the other. To some extent, they may therefore be treated as complementary, utilizing each to further the objectives it is best suited to serve.

9. First, it would seem that the FM service, if properly utilized, can afford a suitable means for relieving the tremendous pressure for authorization of

local radio outlets in many communities. Applications to this type of station have swamped our AM assignment processes and, in many instances, led to the authorization of AM stations which are marginal from a technical and service standpoint and which must often be limited to daytime operation only. These AM applications, and the hearings involved, have been and are most burdensome; and the stations, when authorized, often cause interference to existing stations in the already overcrowded AM spectrum, and are themselves limited to rather small service radii daytime, and, if operating at night at all, often to only a few miles during that period. In many instances, they can be assigned only on a daytime basis, and thus do not afford to their communities and areas radio service and a local outlet during non-daytime hours.^{1a} The relatively small number of FM receivers as compared to AM receivers still remains a problem in connection with the development of the FM service. It is also possible that the full potential of that service cannot be realized through use of relatively low-cost FM receivers. Comments on the subject of receivers, from the standpoint of cost and suitability for achieving the maximum benefit of FM broadcasting, are invited. But even though these problems exist now, it is to be hoped that they will not remain substantial obstacles over a long period. There is little question that in the long run the over-all need for local outlets can be served far better by FM assignments than by AM stations operating under the severe limitations of the present crowded AM spectrum. This objective is, of course, related to objective (c) above.

^{1a} Of slightly more than 3,200 AM stations now authorized to operate during daytime hours, 2,907 operate with 1 kw or less power (of 1,795 Class II and Class III stations, 223 operate with 250 watts, 342 operate with 500 watts, and 1,230 operate with 1 kw; many of the 1,112 Class IV stations have increased or are about to increase daytime power from 250 watts to 1 kw). Under average conditions, 1 kw power in AM operation gives a service radius to the normally protected contour of no more than 40 miles (on 960 kc, with ground conductivity of 5 mhos/m, the distance to the 0.5 mv/m contour would be 39.7 miles). In a minority of cases, the distance may be substantially more, but it will also be much less on higher frequencies with low ground conductivity. Nighttime, Class IV local stations are limited to a service radius of about 4 miles on the average, in many cases not even serving all of their cities of assignment. The service radius of Class II and Class III stations operating nighttime (of which 593 operate with 1 kw power or less) varies with the nighttime limit caused by interference; the average for 1 kw operations is about 12 to 15 miles.

An FM station operating with 1 kw E.R.P. and antenna height of 250 ft. above average terrain, the present maximum for Class A facilities, would have a service radius of 37 miles if protected to its 50 uv/m contour, and of 25 miles if protected on the basis specifically proposed herein. This would exist both day and night, unlike the AM station. The cost of AM non-directional and FM facilities of this magnitude is generally comparable—\$4,000 to \$5,000 for a 1 kw AM transmitter and \$5,000 to \$6,000 for a 1 kw FM transmitter, with antennas of about the same height (AM stations of this character

10. The second respect in which FM development may complement AM is with respect to the nighttime "white areas" in the nation—areas totalling more than 1,700,000 square miles and containing more than 25,000,000 persons—which now receive no primary AM service during nighttime hours and much of which probably will never be able to receive such service. For economic reasons, it may be that the potential assistance from FM unlimited-time assignments serving these areas is limited, but it is to be hoped that some contribution may be made if the FM band is properly utilized.

11. *Station assignment principle and need for an over-all plan.* If these objectives—whatever relative importance they may have to each other in any particular situation—are to be furthered to the greatest possible extent, it is imperative that a plan for channel usage be formulated with these objectives in mind and that its operation be continually subject to surveillance to assess the extent to which it is achieving these objectives. An imperative requirement is that the type of assignments to be made on each channel should be determined, and that stations assigned on each should be located so that the maximum number of the appropriate type can be assigned. In other words, there should be spacing between stations such that whatever degree of protection is decided upon will be afforded, but not much more, unless the spacing is to be large enough so that ultimately another station can be assigned between the first two. Otherwise, space is wasted.¹

12. Under present assignment principles, an applicant requests a particular frequency, and (provided the proposed operation will provide the necessary coverage to the community of assignment and the applicant is otherwise qualified), the application is granted if no interference is caused within the 1 mv/m contour of an existing station, or if, on balance, it appears that such interference is outweighed by the benefits from the new service.² In other words, the assignment of stations is, in large measure, on a random or adventitious basis—the particular channel assigned depending on which one the applicant selects, which (aside from the matter of interference to existing stations) may in turn

usually use antennas about 150 to 300 ft.). Moreover, nighttime operation by Class II and Class III AM stations usually requires much more costly directional antennas (513 out of 593 such stations operating with 1 kw or less power employ such antennas).

¹ Adjacent-channel interference considerations of course enter in, so the situation may in fact not be quite this simple; but in view of the lesser extent of adjacent-channel interference and consequently lesser spacings required for any given level of protection, probably co-channel considerations will usually determine station spacing, at least in areas not already having so many assignments that a new form of allocation would not have much effect in any event.

² For recent discussions of FM allocation policy, see the Memorandum Opinion and Order regarding Station WMRO-FM, Aurora, Illinois (WMRO, Inc., FCC 61-205, adopted February 15, 1961); and the decision in Telemusic Co.

depend on such factors as seeking the top or middle frequency on the FM dial,³ seeking a frequency close to others to make the new station more desirable from the standpoint of actual or supposed listener convenience, etc. Probably largely for this reason, there is great variation in the number of existing stations per channel, varying for the Class B channels from 28 (Ch. 260, about in the middle of the band), to 5 (Channel 298, near the upper end). Whatever merit these considerations in channel selection may have, it is questionable, at best, whether they should be permitted to thwart the objective of maximum and optimum use of each channel.

13. There is considerable doubt that such an assignment process will fulfill our objectives, if permitted to continue, to an extent as great or even close to as great as would a more carefully worked out, over-all plan. One set of facts leading to this conclusion is the present spacing between stations. A study recently made⁴ of existing spacings on 9 channels and adjacencies, in Zone I (the northeast) and immediately adjoining areas, shows that the shortest single spacing between co-channel Class B stations is 94 miles, the average of the shortest Class B co-channel spacing on each channel is 129 miles, and the average of all spacings between neighboring Class B co-channel stations on these channels (excluding certain very long spacings which can have no conceivable effect on service or interference) is 167 miles.

14. It is likely that, from the standpoint of effective utilization of spectrum space, these spacings leave a good deal to be desired. In terms of present protection concepts—protection usually to the 1 mv/m contour—they are substantially greater than that necessary to afford such protection, yet not quite large enough so that another station could later be assigned in between. This is true whether the situation is evaluated on the basis of present propagation standards—Fig. 1 of § 3.333 of the rules—or new propagation curves adoption of which is contemplated herein.⁵ On the other hand, if some or all stations should be protected to a further point—e.g.,

³ Unlike the frequencies in the AM and television services, all of the channels used by FM broadcast stations are virtually equal from a propagation standpoint, so there is no inherent difference between them.

⁴ This study, which included Channels 260 through 268 and three adjacent channels on either side, was made by a consulting engineer, for the use of the FM Committee of the Association of Federal Communications Consulting Engineers (AFCCE).

⁵ Under Fig. 1, the minimum spacing between co-channel stations operating with Area 1 Class B maximum facilities is 88.5 miles. Using the curves proposed herein—low-band VHF F(50,50) for estimating service, and the F(50,10) curve proposed for the same television channels in Docket 13340, for interference—this distance is 110 miles. Compared to the Fig. 1 distance, the average of shortest spacings on each channel (129 miles) is 46 percent greater, and the average of all pertinent spacings is 89 percent greater. Compared to the distance computed under the new curves, the average of shortest spacings is 17 percent greater, and the average of all pertinent spacings is 52 percent greater.

the 50 uv/m or 100 uv/m contour—the spacing is too small to afford such protection.⁶ In other words, the more or less random basis of making assignments does not appear to have resulted, or to be likely to result in the future, in an over-all pattern of assignments which is reasonably near to the degree of efficiency which must be sought. It appears that a more rational basis—reasonably related to the degree of protection which stations of the various classes should be afforded—is to be desired.

15. Moreover, the same study reveals that spacings between Class B stations on first adjacent channels (200 kc removed) average 178 miles. This is greater than the co-channel average, and nearly three times the minimum spacing which is required under present standards for Class B stations operating with maximum Zone 1 facilities (about 69.5 miles). Along with the data as to co-channel spacings mentioned above, these facts cast considerable doubt upon the overall efficiency resulting from present assignment methods.

16. Another development which has resulted from the present unplanned use of the channels is the great concentration of FM assignments in large cities and immediately adjoining communities. In New York City alone there are 17 FM stations, in Los Angeles 20, and in Detroit 16. Such concentration is not necessarily bad as such; nobody would argue that, under any allocation plan, cities of such size and importance should necessarily be limited to four or five FM services. Nevertheless, when concentration of assignments is carried to the present extent, it is at least questionable whether the provision of a great abundance of service to the inhabitants of these cities has not occurred at the expense of rendition of more needed service, or provision of first or second local outlets, elsewhere, and whether any further concentration of this sort should be allowed. We do not propose herein to change any existing facilities, and we do not make any specific proposal concerning prohibition of any further assignments to such cities or urbanized areas, but we invite comments upon the question of whether, considering the needs which can and should be served by future assignments of FM stations, any new assignments or increased facilities should be permitted in such cities or their metropolitan or urbanized areas.

17. *Effect of individual consideration of applications on overall service.* In FM, as in the standard broadcast service, proposed assignments of new or increased facilities are considered individually, except where two or more applications are mutually exclusive. Each proposal is evaluated on the basis of whether it would cause interference to existing stations, and, if so, to what extent. Whatever the merits of this approach, it has one obvious disadvantage—it does not permit evaluation of the total effect

⁶ Under Fig. 1, the minimum spacing between co-channel stations operating with Area 1 Class B maximum facilities, and protected to their 0.1 mv/m contours, is 143 miles. Under the new curves, the minimum spacing would be 220 miles.

of a series of authorizations upon an existing station or existing over-all service. In other words, a single application before the Commission may involve some small amount of interference to an existing station, but not enough to justify denial of the application on this ground; but the total effect upon the service of the existing station from a series of such grants may be significant.⁷ Under this approach, the AM spectrum has become crowded, and probably overcrowded, and, while this situation does not prevail in FM as yet, there appears a possibility that it soon will in some areas. Like the matter of efficiency mentioned above, this possibility appears to indicate the desirability of an over-all plan instead of case-to-case consideration of individual applications.

18. *Administrative problems.* One important consideration impelling the present inquiry is that the FM service and its expansion have begun to develop the same severe administrative problems that have beset AM assignment-making for some years. At present, usually the consideration of an AM application for new or increased facilities involves consideration of interference to or from the proposed operation, or both—which means that great effort is required on the part of all parties concerned and the Commission and its staff in determining the location of service and interference contours, counting the populations within service and interference areas, and evaluating the extent of other service available in such areas. In the vast number of hearings now involved in the AM assignment process, very lengthy arguments occur between the parties as to these matters, as to the validity of groundwave measurements offered to establish contour locations, etc. If an application is granted after all of this time and effort, the result is often only a marginal operation, as mentioned above—a result which appears disproportionate to the effort involved. The delays involved in this process are too familiar to all. While, because of uniform propagation characteristics the FM assignment process will probably never in any event develop all of the problems now associated with AM, the same tendency has recently appeared—contours must be located, populations counted, and amount of other service established; and hearings on these matters must be held.

19. It appears that these developments are more or less inherent in any assignment system where in each case interference to existing stations is balanced against service benefits, and in which, therefore, it is difficult or impossible to set up fixed standards which will determine, without elaborate consideration, whether or not a particular application will be granted. The relative absence of such fixed standards in AM has contrib-

⁷ This problem is especially related to second and third adjacent-channel interference. Because the extent of such interference is small, occurring in an area immediately around the interfering station's transmitter, the gain from one such grant generally outweighs the loss, population-wise. But the effect of a series of such authorizations on the existing station's service may be more significant.

uted much toward the manifold problems mentioned above, since in their absence all of the detailed factors involved with each application (described above) must be considered carefully and at length, and applicants are encouraged to file marginal applications which probably cannot be granted but conceivably will be. To avoid the development of similar problems in FM, in our view it may well be desirable that fixed standards be adopted for future assignments in that service, so that each application can be judged on a strict "go-no-go" basis.

III. Conclusions as to general approach. 20. In view of the foregoing consideration, we have tentatively reached two conclusions as to the general approach which, it may well be, should be adopted for the future development of the FM service. Comments thereon are, of course, invited.

These conclusions are:

(a) FM assignments would be based on an over-all plan, designed to insure the optimum and maximum use of each channel and take into account the total effect of all further assignments on existing service, rather than the present system (similar to AM) under which an applicant selects any channel he sees fit, and his application (provided it complies with our rules and he is otherwise qualified) is considered on an individual basis, taking into account only whatever interference problems it may involve without regard to consideration of over-all efficiency and total impact of service.

(b) The over-all plan would be one involving strict standards which will determine without elaborate weighing of various factors whether an application will or will not be granted. The details of the plan we propose herein are spelled out below; but, whatever plan is adopted in this proceeding, we are presently of the view that it must be based upon this absolute concept. Our present FM rules (§§ 3.203(a) and 3.313(c)) contemplate grants in spite of interference "in order to insure * * * a maximum of service to all listeners", or "in order to provide an equitable and efficient distribution of facilities". It may well be that these discretionary provisions should be eliminated, in line with the approach we presently believe may be more in the public interest.

IV. Specific proposals concerning an over-all FM allocation plan. 21. To achieve the objectives and meet the problems mentioned, we propose the adoption of an over-all plan of FM station assignments along the lines set forth below and in Appendix A. The reasons for the particular proposals are set forth briefly in connection with each matter. Comments on these proposals and the considerations involved in each are invited.

A. Type of plan to be adopted. 22. We propose to adopt a Table of Mileage Separations (see Appendix A), which will apply at least to all assignments of new FM stations (whether such Table will also apply to increases in facilities by existing stations is discussed below). Under this proposal, a station can be located no closer than the distance specified in the Table to an existing co-channel or adjacent-channel station; in

this respect the plan will be similar to that used in television. However, in order to achieve efficiency in assignment and avoid waste of space, we also propose to impose certain criteria as to maximum separations with respect to existing co-channel stations. These will insure to the greatest practicable extent that a new station will either be located reasonably near the minimum distance from existing stations (so that little space will be wasted), or will be located at least twice the minimum distance from existing stations so that later a new assignment can be made in between. Our proposal in this regard is that a new station must be located no further than the minimum given in the Table plus 25 miles, or else at least whole multiples of the minimum shown in the Table.⁸ The use of minimum and maximum separations will afford stations adequate protection against interference, achieve over-all assignment efficiency, and provide a clear guide as to whether or not a particular assignment can be made.

23. We are presently of the view that a table of separations of this sort is to be preferred to other alternatives. A specific Table of Assignments giving particular channels to particular communities, such as the former FM and present television tables, we believe to be too inflexible, especially in view of the very large number of communities which, it is hoped, will ultimately have FM stations. With the number of channels available, there is no reason to impose such a rigid framework upon the expansion of the service. While amendment of such a Table would always be possible, this is a cumbersome step in the assignment process which should not be required unless necessary. Another approach would be to adopt simply a flat rule that, on the basis of whatever propagation curves, interference ratios, and protected contours are to be adopted, no new assignment would be made which would cause any objectionable interference within the protected contour of an existing station. But, since FM frequencies are all the same propagation-wise, it is easy to reduce calculations based on particular curves to a set of separations contained in a table, which can be easily understood and referred to by an interested person; and therefore there is no reason why the curves themselves need be adopted into the rules, at least for assignment of new stations.

24. It should be noted that the proposal to use a table of this sort involves a tentative decision on another point—that existing stations are to be protected on a uniform basis, regardless of the facilities which they use or which are proposed by the new station. This is, of course, true with the television separations. Otherwise, any Table (which would be drawn to take into account different levels of existing and proposed facilities) would be too complicated and curves probably would have to be used instead. Obviously, if objectionable in-

terference is to be avoided, this uniform basis must be protection on the assumption that both existing and proposed stations will operate with maximum facilities permitted on the channel involved. We are presently of the view that protection on this basis is in the public interest, because it will permit unhampered expansion of stations to maximum facilities—and hence more and better service—even where initially maximum operations may not be economically feasible. The table we propose herein is accordingly based on the concept that existing and proposed stations will be assigned on the basis of maximum operation by both. However, this, of course, raises a question as to whether minimum facilities should be required, even initially, to avoid substantial waste of space through protection of "service" which does not in fact exist. This is discussed below.

25. If curves are not adopted as part of the rules, of course, there must be a series of tables, or nomograms, to cover three other matters in which location of contours is significant. These are: (1) "equivalence", or the maximum power permitted where antenna height above average terrain is greater than that contemplated as the "maximum" for the station involved; (2) coverage of the city to which the station is licensed (which can be expressed in the form of a table of minimum distances to the furthest point on the city's boundary line); and (3) overlap permitted for stations under common ownership. We propose to adopt tables covering these matters for the various heights and powers, on the basis of the service curve employed herein, and using the following standards: (a) for principal city coverage, provision of a 3 mv/m (69.5 dbu) signal over the entire city; (b) for overlap for multiple ownership purposes, the overlap of 2 mv/m (66 dbu) contours. See Appendix A, Item (d). Comments are invited on whether these values are correct, or what others should be adopted.

B. Propagation curves to be used. 26. Whether or not propagation curves are adopted or retained as part of the Rules, clearly some set of propagation curves must be used as the basis of assignments.⁹ FM assignments are presently made on the basis of the curves contained in Fig. 1 of § 3.333 of the rules, which take into account groundwave propagation only. These curves (adopted about 15 years ago) are widely, and perhaps generally, regarded as out-of-date. In particular, the Fig. 1 interference curve is inadequate because it is based entirely on groundwave transmission, whereas, as is now generally recognized, tropospheric propagation is a significant factor in FM signal transmission and in the extent of interference at the dis-

⁸ The FM rules presently permit use of field intensity measurements in the consideration of individual applications, but in practice measurements have seldom, if ever, been used. While comments are invited on this point, our proposal herein is to eliminate from the rules all references to measurements, so that assignments will be made on the basis of propagation curves or data derived therefrom.

⁹ This requirement would not apply in the event the proposed station is over 600 miles distant from any co-channel assignments previously made.

tances involved here.¹⁰ We are of the view that present Figure 1 should accordingly be replaced.

27. The FM band is immediately above the low-band VHF television Channels 2-6 in the spectrum and propagation conditions in these two bands are substantially the same. Therefore we propose to use the propagation curves which have been adopted or proposed for use in low-band VHF allocations as a basis for any tables of separation which may be adopted for FM. We have selected for this purpose the F(50,50) curve proposed in Docket 13340 for television Channels 2-6 for the estimation of service and the F(50,10) curve proposed in that docket for the same channels for the estimation of interference. These proposals have the support of the Radio Propagation Advisory Committee (RPAC), a committee composed of representatives of the Commission, the Bureau of Standards, and the communications industry. The mileage separation tables contained in Appendix A are based on these curves. Comments are invited on this proposal. While the F(50,50) curve for television Channels 2-6 presently in the Rules give substantially the same answers for the distances involved in this proceeding as the RPAC curve, we are of the view that the latest available data should be used as a basis for proposals herein.

C. *Signal ratios for determining interference.* 28. Under the provisions of present § 3.313(b) of the rules, objectionable interference exists where the ratio of desired to undesired signal is less than 10 to 1 (20 db) co-channel or 2 to 1 (6 db) for first adjacent channel (200 kc removed), or where the ratio of undesired to desired signal is more than 10 to 1 (20 db) for second adjacent channel (400 kc removed) or 100 to 1 (40 db) for third adjacent channel (600 kc removed). In view of the discrimination possible against unwanted co-channel signals in an FM system it may be helpful to re-examine the co-channel ratio to be used. Likewise, in view of the studies which have been conducted by the C.C.I.R. on the possibility of using offset carrier techniques and cross-polarization in the allocation of FM broadcast stations, parties having data or views on these matters may wish to submit them to the Commission.

29. Comments upon the question of what should be the proper co-channel and adjacent-channel interference ratios

are invited, particularly from parties having specific data on this subject. Our specific proposal herein is based on the present interference ratios, set forth above. Particularly with respect to first adjacent-channel interference, parties commenting should recognize the significance in this connection of FM multiplexing, including stereophonic broadcasting, as permitted under present rules.

D. *Classes of stations and channels: noncommercial educational stations.* 30. Comments are invited upon the question of what changes, if any, are appropriate in the present assignment plan for noncommercial educational stations—assignment of these stations (except in Alaska) on 20 channels at the low end of the FM band especially reserved therefor (channels 201 and 220), and the division of these stations, for practical purposes, into two classes, those operating with 10 watts power or less, and those operating with greater power (no maximum is specified). (See §§ 3.501, 3.505, 3.551 of the rules.) Our specific proposal herein, Appendix A, does not propose any substantial change in these concepts, since it appears that the number of channels and basis of assignments is reasonably satisfactory. The proposal provides for two classes of educational stations "Class D", low power (10 kw or less), and "Class E", higher power, with maximum the same as the maximum commercial station which would be permitted at the same location.

E. *Classes of stations and channels: commercial stations.* 31. Presently the 80 commercial FM channels are divided into Class A and Class B channels. Class A, interspersed through the commercial FM band from ch. 221 to ch. 296, are used by low power Class A stations. The remaining 60 channels are used by higher-power Class B stations. With respect to Class B assignments, the United States is divided into two Areas. Area 1 includes most of the northeastern United States—the three southern New England states and southern New Hampshire, southeastern New York as far as Albany-Schenectady-Troy; eastern Pennsylvania as far as Harrisburg; Maryland as far west as Hagerstown; and all of New Jersey, Delaware, and the District of Columbia. The rest of the United States is in Area 2.¹¹ With respect to Class A stations, there is no difference in the rules pertaining to these areas. In Area 1, Class B stations are limited in height and power to a maximum of 20 kw E.R.P. at 500 ft. a.a.t. or equivalent (and an absolute maximum of 20 kw E.R.P.), whereas in Area 2 Class B stations, while normally so limited,

¹¹ However, a Note to Sec. 3.202 provides that in certain parts of the country contiguous to Area 1, higher demand for frequencies requires that applications be given careful study to insure equitable distribution of facilities. These territories include the remainder of Maryland and Pennsylvania; all but the northeastern corner of New York; southern coastal states through South Carolina; Ohio and Indiana; southern Michigan as far north as Saginaw; eastern Illinois as far west as Rockford-Decatur, and southeastern Wisconsin as far north as Sheboygan.

will be assigned with greater facilities if no undue interference to existing stations or probable assignments would result. (See § 3.204(a)(2).) There is a question as to whether the present division of commercial FM stations into only two classes, A and B, is appropriate in view of the various needs and purposes which FM stations are and will be called upon to serve. These needs include wide-area coverage so as to provide service in rural and sparsely settled areas, local outlets for as many communities as possible both in and around urbanized areas, and elsewhere, and coverage of expanding suburban areas by city stations. Comments are invited upon the question of how many classes of commercial FM stations should be provided for, and what the facilities of each should be.

32. Our proposal herein (Appendix A), which it appears may be adequate to meet the diverse needs involved and at the same time simple enough for easy administration, is for three classes of commercial stations:

(1) Low-powered "Class A" stations, generally similar to the present Class A stations, designed to serve smaller communities and surrounding rural areas.

(2) Intermediate-powered "Class B" stations, generally similar to the present Class B stations, operating with great enough facilities, and protected far enough, to provide service to cities and surrounding suburban areas.

(3) High-powered "Class C" stations, operating with facilities substantially greater than the present Area 1 Class B maximum, and protected out as far, or nearly as far, as they can render a useful service in the absence of interference.

33. *Channels for commercial stations.* Assuming that FM stations should be divided into classes, there remains the question of how many, and which channels should be reserved for each class.¹² Comments on this subject are invited. Our proposal, based on the three classes of new commercial stations mentioned above, is as follows (with alternatives, as mentioned; see Appendix A):

(1) *Low-powered Class A stations.* The potential number of low-powered Class A stations which can be assigned to each channel under the proposal may be as high as 165 and it appears that the number of channels presently allocated for this use (20) is appropriate. This will give space for more than 3,000 assignments. There remains the question of whether these 20 channels should be interspersed through the commercial portion of the FM spectrum, as at present, or contiguous in the band. There are considerations on both sides. Keeping the 20 present Class A channels has the advantage of simplicity in that both new and existing stations on these channels would be of the same class. Moreover, the present arrangement has made possible—and was in fact adopted as the only way to achieve—the making of more

¹⁰ Our present rules recognize tropospheric propagation as a factor in FM interference by stating (§ 3.313(b)) that the undesired signal is the tropospheric signal exceeded 1 percent of the time. However, § 3.313(d) provides for determination of interference on the basis of Figure 1, the groundwave chart. An earlier edition of the Rules (1953) contained substantially the same provisions as to tropospheric signal, and stated that this would be determined from "Figure 2". It was stated in a footnote that "Figure 2" would be available in the future when sufficient tropospheric measurements had been made, and until that time interference would be determined on the basis of Fig. 1, the groundwave chart. Since the low-band VHF television curves mentioned in the text adequately reflect tropospheric propagation, there is no need to adopt a separate set of curves for FM.

¹² Conceivably, new stations of different classes could be assigned to the same channel. However, in our view, such a basis of operation would serve neither assignment efficiency nor administrative convenience.

Class B assignments in cities. On the other hand, the present occupancy of Class A channels (a maximum of 11 stations on Channel 252) is not such that a changeover in channel classification would present great inconvenience. Moreover, the adjacent-channel problems involved in making the very large number of Class A assignments hoped for will be substantially less if the adjacent channels are occupied by low-power Class A stations than if, as now, every Class A channel is adjacent to channels occupied by higher-power Class B stations. Our proposal in this respect—Appendix A—is in the alternative, and comments are invited on which alternative is preferable.

(2) *Intermediate-powered (Class B) and high-powered (Class C) stations.* We have mentioned above the need for high-powered, wide area stations, referred to herein as "Class C" stations. There is a question as to whether there is either a real need for such stations, or much opportunity for their assignment, in the northeastern portion of the United States generally corresponding to Area 1. This portion of the country is more heavily populated, and large centers of population are numerous and relatively close together, so that, to a greater degree than in the remainder of the nation, adequate service may be expected to be furnished to all or nearly all of the area and population by stations generally similar to present Class B stations, located in sizable communities relatively close together. Moreover, it may be that in Area 1 frequency occupancy is already so nearly complete that unless changes are to be made in existing facilities, which we do not presently contemplate, there will be relatively little opportunity for the assignment of new stations on this basis. We are not presently persuaded, however, that assignments in Area 1 are already so numerous that no advantageous reallocation plan for that area could be worked out.

34. *Assignment Plans I and II.* Therefore, in this respect we set forth herein, and invite comments on, two alternative proposals. The details of these are set forth in Appendix A. Plan I envisages a reallocation throughout the nation, and repeal of the present division into areas, with 20 channels reserved for low-power Class A stations and 20 channels (which we believe an adequate number) reserved for high-power "Class C" stations, with maximum facilities considerably greater than those now permitted in Area 1. The channels reserved for these "Class C" stations would be either contiguous in the spectrum or contiguous except for the interspersions of Class A channels, depending on the decision reached as to whether Class A channels should be reallocated (see above). The remaining 40 channels will be allocated for use by intermediate-power stations, generally corresponding to present Class B stations in Area 1. This number of channels appears appropriate for such assignments.

35. Plan II, on the other hand, would involve less sweeping changes. Under

it, the United States would still be divided into two areas, present Area 1 being redefined on the basis of entire states, to include the three southern New England States, New York, Pennsylvania, New Jersey, Maryland, the District of Columbia, Ohio, Indiana, and Illinois. These are states of comparatively high urbanization and thickly settled population. Area 2 would include the rest of the country. Within both areas, Class A stations would be assigned on 20 Class A channels, either the present 20 channels or a contiguous band (see above). In Area 1, the other 60 channels would be used by "Class B" stations corresponding generally to the present Class B stations in that zone, with roughly the same maximum facilities. In Area 2, on the other hand, there would be no new "Class B" assignments, but on these channels new "Class C" stations would be assigned with a uniform maximum for facilities (unlike the present rules which provide no absolute maximum in this Area), this maximum to be considerably higher than the present Class B maximum for Area 1. These stations would be protected from interference over wide service areas, so that they may render service to great areas and populations.

36. *Alaska and Hawaii.* In Alaska, the frequency band 88 to 100 mc is not available for broadcast use, eliminating FM channels 201 through 260 for FM assignments in that state. This leaves Alaska presently with 10 Class A and 30 Class B channels, and no channels specifically reserved for educational use. Therefore (Sec. 3.501(b)) our Rules provide for noncommercial educational, as well as commercial, use of Channels 261 to 300. In Hawaii, the frequency band 98.1 to 107.9 mc is similarly not available, eliminating Channels 251 through 300 and leaving a total of 50 channels—20 educational, 8 Class A, and 22 Class B. Present assignments in these states are not numerous—in Alaska, one Class A and one Class B; in Hawaii, three Class A and one educational.

37. Comments are invited upon what basic changes in channel allocations should be made in these states. We propose herein the following changes: (1) if "Plan I", referred to above, is adopted, 10 channels in Alaska and 10 channels in Hawaii would be reserved for use by high-power "Class C" stations, these channels to be either contiguous in spectrum or contiguous except for Class A channels (see above); (2) if "Plan II" referred to above is adopted, these states, as part of Area 2, would be in the future assigned "Class C" rather than "Class

B" stations. Noncommercial educational stations in Alaska could be assigned on any channel as at present.

F. *Station facilities, protection, spacing—38. General principles of station assignments; maximum facilities and spacings.* Assuming the above-proposed designation of the FM channels for use by five different types of stations—low-power commercial, intermediate-power commercial, high-power commercial, low-power educational, and higher-power educational—there must be determined what combination of facilities used by the various classes of stations, and separations to afford a proper degree of protection, are appropriate for each channel. This decision must be made in the light of a number of considerations: (1) the purpose to be served by the various classes of stations—wide area coverage, numerous stations to serve as local outlets, etc.; (2) provision for the largest number of stations on each channel reasonably consistent with other objectives; (3) provision for each station of a protected service area large enough to provide population and economic potential sufficient to support an operation of the particular class; (4) assignment efficiency in mathematical terms, i.e., the percentage of total area which the number of stations assignable on each channel can serve, under various combinations of facilities and protected areas; and (5) the distance or contour out to which a station can render useful service in the absence of interference (beyond which there is no point in protecting it).

39. Some of these matters warrant discussion. As to assignment efficiency, this is of course directly related to the spacing of stations, which in turn reflects the combination of facilities used and service area protected. For a triangle lattice pattern of station arrangement, which permits the greatest number of stations on a channel, the efficiency in terms of percentage of area covered is determined by the formulas.

$$\text{Eff.} = \frac{200A}{\sqrt{3}S^2}$$

where A is the service area of each station and S is the spacing between stations; or

$$363 \times \left(\frac{R}{S}\right)^2$$

where R is the service radius and S is the spacing.

Applying these formulas to certain possible combinations of facilities and protected contours, and resulting co-channel spacings, the results in terms of efficiency are as follows (using the new curves proposed herein):

Facilities	Assuming protection to 1 mv/m contour			Assuming protection to 0.1 mv/m contour		
	Distance to contour (miles)	Minimum Spacing (miles)	Efficiency (percent of area)	Distance to contour (miles)	Minimum Spacing (miles)	Efficiency (percent of area)
Present Class A maximum (1 kw, 250 ft).....	10	50	14.5	28	130	16.9
Present Class B Area 1—Class B maximum (20 kw, 500 ft).....	28	110	23.5	57	220	24.3
High power (100 kw, 2,000 ft).....	64	180	45.8	98	295	40.4

40. Thus, among these various arrangements lowest efficiency results from using low-power stations protected to the 1 mv/m contour, while highest efficiency results from using high-power stations protected to that contour. With respect to low-power and intermediate-power stations, greater efficiency results from spacings affording protection to the 0.1 mv/m contour than from protection only to the 1 mv/m contour; but this is not true as to high-power stations, where the efficiency curve falls off between the 1 mv/m spacing and the 0.1 mv/m spacing. As to any particular height and power, efficiency does not vary greatly with extent of protected area and resulting spacing. For example, using the new curves proposed herein, for Class B stations operating with the present Area 1 maximum facilities, efficiency varies about 3.3 percent for spacings from 60 miles to 260 miles, with the maximum occurring at about 150 miles. For stations using the high-power facilities mentioned, efficiency varies less than 12 percent for spacings from 120 to 300 miles, the greatest efficiency occurring at about 180 miles. For Class A stations operating with present maximum facilities, there is only a 3 percent variation between any two spacings from 60 to 165 miles.

41. Stations, of course, are assigned to actual communities, rather than on an idealized geometric basis such as that assumed, with some loss of efficiency; but in general this reduction does not change the basic relationship between spacings and efficiency of channel use. Therefore, principles of absolute assignment efficiency, while not necessarily determinative, must always be borne in mind, and parties commenting herein should take them into account. Likewise, adjacent-channel assignments, of course, affect possible station location, but since the spacings required to afford a given level of protection are much smaller than with co-channel assignments, this does not become a significant problem except in small areas already crowded with need and demand for assignments.

42. Since efficiency varies relatively little with spacing, it is more appropriate to look closely at another factor which varies much more sharply, number of assignments per channel. This is particularly true with respect to channels, such as the present and proposed Class A channels, primarily designed for numerous assignments of low-powered stations; but it is also true of all channels except perhaps those reserved for wide-area stations. As a rough rule-of-thumb, reducing the spacing in half, quadruples the number of possible assignments, although, of course, it reduces the coverage area of each station.

43. "Protection" from objectionable interference. With respect to stations on the same channel and first adjacent channel (200 kc removed), the standards we propose herein are designed to afford, in general, "protection" from objectionable interference within certain contours or service radii. Since interference between such stations represents a loss of service rather than merely a

substitution of one service for another, we are presently of the view that only on this basis can standards be formulated which will protect the public interest and at the same time permit processing of and action on applications without the elaborate consideration now required in FM as well as in AM.

44. However, as to second and third adjacent-channel interference, other considerations apply. At one time, FM stations were assigned in the same city on such adjacencies. Some interference resulted, and our rules now recognize second and third adjacent-channel interference and preclude assignment of stations in the same city at less than 800 kc (four channel) separation. They may be assigned in nearby cities at 400 or 600 kc separation where the equitable or efficient distribution of facilities would be promoted, except that no Class B stations will be assigned less than 800 kc apart in the same metropolitan district. Sometimes assignments in nearby cities have resulted in objectionable interference within the present standards, but they were made because the service benefits outweighed the losses. Where second or third adjacent-channel interference is involved, the interference occurs within a relatively small area around the interfering station's transmitter, and this small loss is of course completely replaced with the new station's service, so that there is no loss in total service to the public and only small impact from the assignment on the existing station. By making such assignments, we have been able to authorize a greater number of stations in and around large cities than would otherwise be possible.

45. However, it has been argued, perhaps with some merit, that continuation of this process may lead to deterioration of service, through the assignment of a number of stations the total impact of which upon an existing station is substantial. It is contended that this results in a sort of "Swiss cheese" coverage pattern for the original station, a large

service area with numerous "holes" caused by this type of interference around the transmitters of the interfering stations. It has also been urged that, as in AM, a contour-overlap rule is needed to prevent close assignment of stations on these adjacent channels under circumstances where, even though there is no "objectionable interference" under the prescribed ratios, the service of both suffers because of their proximity (through cross-modulation, etc.). We are presently of the view that both of these arguments have some merit, and to a certain extent these concepts are represented on our specific proposals which follow.

45a. As pointed out in the Sixth Report and in other documents including the TV Rules, the received signal at the FM and TV frequencies varies widely with time and location. All propagation curves developed up to the present time cannot be expected to predict service or interference at any particular location and at a particular time. They are, however, useful tools for assignment purposes and may be expected to estimate service on a large area basis. Thus, wherever in this document reference is made to "service" or "protected contour" or "protected area" this important reservation should be borne in mind. For example, in the event an allocation system is adopted which is based upon certain minimum assignment spacings, the only protection which will be afforded a particular station will be that which results from the spacing and the powers and antenna heights authorized.

46. *The Commission's proposals.* In light of the foregoing considerations, we propose the following maximum facilities and co-channel separations for stations of the various classes. The co-channel separations limit the ultimate extent of interference that can occur to any station and thus assure against encroachment beyond the limits indicated as "protected service area" radius.

Class	Maximum facilities permitted (or equivalent)	Protected service area radius (miles)	Minimum co-channel spacing (miles)
Class A (low power).....	1 kw ERP, 250 ft. a.a.t. ¹	25	115
Class B (intermediate power).....	20 kw ERP, 500 ft. a.a.t.	50	190
Class C (high power).....	100 kw ERP, 2,000 ft. a.a.t.	100	300
Class D (low power educational).....	10 watts (transmitter power), 100 ft. a.a.t.	6	25
Class E (high power educational).....	Same as for maximum commercial station at the same location (i.e., if Plan I is adopted, same everywhere as Class C station; if Plan II is adopted, same as Class B station if in Area 1, or same as Class C station if in Area 2).		

¹ Above average terrain.

Unlike the present situation with respect to Class B stations in Area 2, where assignments higher than the normal maximum can be made, all new stations will be limited to the maximums indicated (see above). For reasons already stated, we are presently of the view that the public interest will likely be better served by the adoption of an absolute, recognized standard in this respect as in others. As now with Class A stations and Area 1 Class B stations, the maximum power specified above will also be the

maximum ERP permitted regardless of antenna height.

47. Comments, of course, are invited on whether the values set forth are the most appropriate ones. Admittedly, in no case have we selected the values which would give the greatest absolute efficiency; but, as mentioned, this varies relatively little compared to other factors, and it appears that the scheme proposed is that which will best further our other objectives. As to Class A stations, the maximum permitted is the same as

that at present; the 25 mile service radius—which is the equivalent of protection of such facilities to the 140 uv/m contour—(43 dbu) is substantially greater than the present degree of protection normally to the 1 mv/m contour (60 dbu) (equivalent of 10 miles radius under the new curves proposed herein). It is to these channels that we believe we must look primarily for the development of a vast number of local outlets, removing the need for, and it is to be hoped actually replacing, marginal AM operations such as those discussed above. With these points in mind, the standards chosen appear to represent a suitable compromise. Protection of these stations to their 50 uv/m contours (34 dbu) would permit each to render greater service, but this (which would require a minimum co-channel separation of 165 miles) would not permit the desired number of assignments per channel, and would mean protection in some cases of a service which is not in fact generally useful. Under the standards proposed, assuming idealized placing of assignments, nearly 300 assignments could be made per channel. Such conditions will, of course, not prevail, but average spacing may be expected to be about 150 miles, which would permit about 165 assignments per channel, or more than 3,000 in the United States, enough to take care of a great many of the 3,500 marginal standard broadcast stations now operating. If average spacing is 150 miles, average protection will be to the 63 uv/m contour (36 dbu), which is sufficiently close to the noise-limited contour. The 25 mile radius gives the station a protected area large enough to provide both adequate coverage of its community and surrounding rural areas, and enough economic support for the relatively modest type of operation involved. It is also to be noted, as mentioned above, that the cost of such an installation will be generally comparable to an AM station of the same power, and the service rendered often much better.

48. Class B stations will be authorized with the same facilities now established as the maximum in Area 1, i.e., 20 kw ERP at 500 ft. above average terrain, or equivalent. The protected service radius, which under the proposed new curves is equivalent to protection to the 178 uv/m contour (45 dbu), is substantially greater than at present. We believe the choice here made is a suitable one. The 50 mile protected service radius will permit class B stations to provide service, in most cases at least, to all of the growing urbanized areas around cities, even where (as will not usually be the case) stations are located at minimum separations. It appears that the basis of assignment set forth will permit an adequate number of assignments per channel.

49. Class C stations will be expected to render service out to 100 miles or roughly to their 84 uv/m contour (38 dbu) if operated with maximum facilities. This will permit the rendition of the wide-area service for which these stations are intended. While comments upon the subject of what is the actual noise limited FM contour under usual conditions are

invited herein, we are presently persuaded that protection at this distance is warranted and that a useful service can be provided with signals of this level.

50. It is to be noted that we have set forth the "protected" area in terms of a particular service radius, rather than a particular signal intensity contour. For a given power and antenna height the two can be equivalent. We have chosen the service radius concept because it is a convenient method of precisely limiting the ultimate interference to which a station may be subjected, it avoids imposing additional interference on a station operating with less than maximum power and, of course, has the advantage of being easily understood.

51. *Adjacent-channel protection.* Since, under existing ratios, first-adjacent channel interference represents loss of service instead of merely substitution of one service for another in the area involved, it does not appear that the public interest would be served by permitting such interference within what is determined to be a station's protected service area for co-channel purposes. Therefore, our proposal herein (Appendix A) is for minimum separations designed to afford protection to the same service area as against first adjacent-channel interference (200 kc removed).

52. As to the second and third adjacent-channel interference, this represents substitution rather than actual loss of service, and it is not necessarily inconsistent to provide a different degree of protection against such interference than is the case for co-channel interference. The radius of protection from second and third adjacent-channel interference proposed for the various classes of stations is: for Class A stations, 10 miles; for Class B stations, 25 miles; and for Class C stations, 35 miles.¹³ It also appears that every station should be permitted to cover its city of assignment without interference. Therefore, our proposal is in terms of minimum distances from the existing station's transmitter location, and in addition minimum distance from the nearest boundary from the city of assignment.

G. *Equivalence.* 53. "Equivalence", for determining what power shall be used at greater antenna height than the maximum, is now determined on the basis of the location of the station's 1 mv/m contour, which is the usually protected service contour (see §§ 3.203, 3.204). The argument has been made that this is unduly restrictive and the test should instead be the location of the interference contour. This contention is based on the fact that increase in height

¹³ It might be argued that Class C stations, designed to render wide area coverage, should be protected to a fairly distant contour against second and third adjacent channel interference, as well as against co-channel interference. Comments upon this point are invited. However, because of the ratios involved any service loss is completely replaced by the substituted new service, and therefore the reason for the wide protection disappears. We do not include this in our main proposal, which provides the same radius as Class B stations.

increases service more than it does interference, and therefore greater height could often be used with a correspondingly great increase in service but relatively little increase on interference. There appears to be considerable substance in this argument, since, after all, interference is the only reason why stations cannot be assigned in unlimited numbers. A consideration of the opposite side, supporting the present standard, is that using the service contour as the test results in a degree of competitive equality between stations, for example, where only one of several competing stations has opportunity for great antenna height. Recognizing this, nonetheless our proposal (Appendix A) is that equivalence for determining permissible ERP shall be the location of the co-channel interference contour.

H. *Minimum facilities.* 54. As mentioned above, our proposal is to afford protection to stations on the basis of maximum facilities for the class involved, thereby permitting free expansion and improvement of service without conflicts. As a corollary of this, it presently appears that, even for initial operation, certain minimum facilities should be required for the various classes, to a much greater extent than at present. Otherwise there might be great waste of spectrum space through "protection" of non-existent service. We propose the following minimum (stations must, of course, also provide adequate coverage of their city of assignment in accordance with the rules):

Class A—100 w ERP, 100 ft. above average terrain.

Class B—1 kw ERP, antenna height 250 ft. a.a.t.

Class C—20 kw ERP, antenna height 500 ft. a.a.t.

Negative antenna heights will be considered to be 100 ft. a.a.t.

Non-commercial educational stations: Comments are invited regarding acceptable minimums.

I. *Relationship of plan to existing stations.* 55. We do not propose herein to change any existing facilities. Therefore, superimposing an overall assignment plan upon the present structure raises certain questions with respect to stations authorized at the time the plan is adopted. These are:

(1) If there is reclassification of channels (A to B, B to A, A or B to C), how will existing stations on these channels be treated if they do not fall within the limits of facilities for the new class?

(2) Should expansion of existing facilities be governed by the table of separations and permitted only when meeting its requirements, or should it be permitted on another basis, for example, use of propagation curves?

56. With respect to the first matter, reclassification of channels will take place if Class A channels are shifted to a contiguous portion of the spectrum (e.g., Channels 221 to 240), so that present Class A channels become Class B channels and Class B channels become Class A frequencies. It will also take place if Plan I proposed herein is adopted, so that 20 channels are reserved for Class C use throughout the country. Our proposal in this respect is as follows:

(1) Where a channel is reclassified for use by a higher class of station (A to B or A to C, or B to C), existing stations thereon which do not meet the minimum requirements for the new class will have six months to apply for facilities meeting the minimum requirement. If they do not so apply, or if their applications must be denied because of interference or for other reasons, they will thereafter be protected as stations of the original class. A table for this limited purpose showing minimum separations between co-channel stations of different classes will be provided at a future date.

(2) Where a channel is reclassified for use by a lower class of station (B to A), the existing Class B stations will be protected as Class B stations provided they meet the minimum facilities for that class. Otherwise they will be protected under the Table only as Class A stations.

57. The answer to the second of the two questions is less clear. Existing stations have not been assigned on the basis of the type of overall plan we proposed here for further assignments, and it is not clear that over-all efficiency and service would benefit from requiring any increase in facilities of existing stations to meet the new over-all standards. We do not propose at this time any specific course of action in this connection. Appropriate rules in this regard will be promulgated of the basis of submitted comments. However, as to some aspects of this problem there appear certain principles which may well serve the public interest, and these we propose in Appendix A to apply. These are:

(1) Whatever may be decided upon as to applications by existing stations for increases in facilities on the same channel, applications for new channels will be treated the same as applications for new stations;

(2) Applications for increases in facilities on the same channel will not be subject to maximum separation requirements, and;

(3) Whatever standard is adopted will be a strict "go-no-go" rule.

V. *Pending petitions for FM rule changes in the assignment area—58. Petition of FM Unlimited, Inc.* By petition filed in February 1959 (RM-94), FM Unlimited, Inc. proposes a rather sweeping revision of the plan of FM station assignments, described below. We are not convinced that some aspects of this would serve the public interest, but since we are here undertaking a fundamental and sweeping examination into this subject, we present this proposal, for comments on the question of whether it should be adopted, in whole or in part, or with changes.

59. FM Unlimited seeks the following changes; which, apparently, it would apply also to existing facilities, by reclassification or reassignment to another channel:

(a) Elimination of the present Class A band, and redesignation of channels 286 through 300 at the top of the band (105.1 to 107.9), for use by low-power Class A stations (15 channels).

(b) Increase in the maximum permitted for Class A facilities to 3 kw E.R.P. and 300 ft. a.a.t. (Above average terrain)

(c) Designation of Channels 218 to 285 (68 channels) for use by Class B stations.

(d) Increase in Class B maximum facilities in Area 1 to 20 kw E.R.P. and 1,000 ft. a.a.t.

(e) Assignment of 17 channels, 201 through 217 (88.1 to 91.3 mc) for "Class N", noncommercial, stations, which would include not only educational stations but also religious and municipal stations (e.g., WNYC-FM, New York City). 10-watt "campus" stations would be assigned only to Channel 201. (It is asserted that two such stations can be located even in the same city without interference problems.)

(f) Reassignment both of existing Class B stations, and of Class B channels with respect to new assignments, on a basis designed so that stations in adjacent metropolitan centers (e.g., Chicago-Milwaukee, New York-Philadelphia, Los Angeles-San Diego) will not be assigned with only one channel (200 kc) separation.

(g) Redesignation of "metropolitan-suburban" and "community" stations as Class A stations, and reassignment thereof to Class A channels as defined above. (With exceptions where such stations serve both metropolitan areas and rural areas, e.g., West Bend, Wisconsin, which would be assigned a Class B channel which could be used in Milwaukee.) An Oak Park, Illinois, station is cited as a bad example of a suburban station using a Class B channel and really aiming its service at the major city, Chicago. It is urged that such stations be redesignated Class A and required to direct their programming to their particular assigned areas.

59. In support of these various proposals, FM Unlimited argues as follows: Segregation of Class A stations—including all those mentioned above—will prevent the making of assignments in suburban communities (such as Redondo Beach, Calif., and Blue Island, Ill.) at 400 kc from existing metropolitan Class B stations, which causes these stations interference. Permitting expanded Class A facilities will permit such stations to cover their cities and surrounding areas satisfactorily. Concentrating Class B assignments in one segment, free from Class A "drop-ins" will enable Class B channels to eliminate 200 kc separations between cities in adjacent metropolitan areas, it is urged that this will eliminate "no man's lands" between these cities which now can receive neither service. It is urged that 17 channels is sufficient for educational and other "Class N" non-commercial stations, and will permit up to 17 Class B assignments, and 8 suburban Class A stations, in each city area without any interference. In support of the Area 1 Class B power increase, it is asserted that this will permit many thousands of people to receive adequate FM service for the first time. It is also urged that minima should be required for Class B stations, so that all may render proper service.

60. The above proposal appears to present numerous substantial problems. Nevertheless, as part of our overall investigation into this matter, comments thereon are invited.

62. There are two other petitions, which seek smaller changes in the FM rules. That of Charles River Broadcasting Company (RM-159) would delete entirely present § 3.202, and amend § 3.204(a), so as to eliminate all reference to Areas, thereby putting Area 1 on the same basis as Area 2. The purpose of this change would be to permit Area 1 Class B stations to operate without any maximum limitation as to height and power, as Area 2 Class B stations may now be assigned. The petition of Joseph D. Worth (RM-33) asks that a flat ceiling of 75 kw ERP be imposed on all Class B stations in Area 2.

63. As to the Charles River petition, we do not contemplate any assignment changes which would eliminate entirely the restriction on maximum facilities in the present Area 1. Comments along this line can, of course, be submitted in response to our own proposals and questions herein, and as such will be considered. The petition itself will be denied. The Worth petition appears to have more possible merit, but since comments making this suggestion may be filed and will be considered under our own proposals and questions, there is no reason for separate consideration of this one individual change. Therefore, this petition, also, will be denied.

VI *Other assignment matters on which rules may be adopted.* 64. If an over-all allocation plan such as that described above and in Appendix A is not adopted, or possibly in addition to such plan, other changes in the FM rules may be appropriate and may be adopted herein. Comments are therefore invited upon the following subjects:

(a) *Abolition of Areas, or creation of more than two Areas, or re-definition of Area 1.* There is a question whether, in view of the rapid current growth of the FM service in many parts of the country, any purpose is served by having two Areas with different standards of assignment. This is particularly true with respect to heavily populated portions of the Northeast adjacent to Area 1 (e.g., the Chicago area), and also areas further removed, such as portions of California. Parties are invited to comment on what changes should be made in this respect, such as abolition of areas, creation of more than two areas, or re-definition of Area 1. These comments should, of course, include consideration of what assignment standards should be adopted for the different areas.

(b) *If an over-all assignment plan is not adopted, what changes should be made in the rules pertaining to existing and/or new facilities—e.g., a general or "across the board" increase of the maximum permitted for Class A or Class B stations in Area 1; whether a fixed maximum should be established for Area 2 and if so, what; and whether there should be an absolute ceiling on E.R.P. regardless of height, and if so, what.*

(c) *Replacement of the term "metropolitan district" by "urbanized area" in the rules.* The Rules presently refer to "metropolitan district" in several places. This is a concept which is no longer employed by the U.S. Census Bureau, which instead now uses the con-

cepts of "urbanized area" (built-up areas in and around principal cities), and "standard metropolitan statistical area", which is based on entire counties. If the rules continue to embody such a concept as this, it appears that it should be one of those now currently in use, likely "urbanized area". Comments on which of these concepts should be included in the Rules is invited.

VII. *Other subjects relating to assignments on which comments are requested.*

65. General subjects as to which comments are requested, particularly from parties having specific data on the subjects involved, in addition to two matters (general efficiency, and possible prohibition of further assignments in crowded cities) are as follows:

(a) *Polarization.* The FM Rules (§ 3.316(a)), provide that horizontal polarization shall be standard, but that circular or elliptical polarization may also be employed, in which case the supplemental vertical polarization involved shall not exceed the ERP authorized. The question has been raised as to whether vertical polarization, as an alternative basis, would not be more effective, especially with respect to vertical whip antennas commonly used on automobiles, in which case the development of the use of FM auto radios might be stimulated. Studies on this subject are now in progress. Comments are requested, especially from those having specific data, as to the desirability of vertical polarization as a standard method of operation, from the standpoint mentioned as well as otherwise.

(b) *Directionalization.* Our Rules do not contain specific provision for directional operation by FM stations, but likewise they do not prohibit such installations. A few stations—roughly a dozen—operate on this basis. Recently, there have been developed antennas which, while technically "non-directional" and employing only one element, radiate substantially more power in some directions than in others. Directional antennas, or "non-directional" antennas radiating more power in some directions than in others, might be on occasion useful as a device in assignment of stations (as in AM); on the other hand, they might also present serious problems in connection with the use of a table of minimum separations such as that proposed herein. Comments are requested upon this subject, particularly:

(1) What requirements for directional antennas or other antennas radiating more power in one direction in FM should be adopted?

(2) Under what circumstances, and for what purposes, should such antennas be permitted (e.g., only to improve service by not wasting a signal over water, etc., or also as an assignment device)? Under what circumstances should they be prohibited?

(3) What form of assignment plan can be adopted to take into account the use of such antennas?

(4) What degree of suppression is feasible with respect to such antennas in the FM service?

(c) *Receiver performance, and what levels of FM signal provide usable service under various conditions.* There are several questions connected with FM receivers and their selectivity and sensitivity, and, in view of the performance thereof, what signal strength is necessary to provide usable service and what interference ratios are appropriate. Comments, especially from those having pertinent data, are requested on this general subject, particularly with respect to the following issues:

(1) What types of receiving antennas (outside, inside, line-cord, etc.) are in use, and, if inside or line-cord antennas are used, how does this affect the standard set forth in the Rules that in rural areas 50 uv/m constitutes a usable FM signal (this standard having been based originally on outside 30 foot antennas)?

(2) What are the levels of signal intensity required, with present FM receiving installations, to render usable service in the absence of interference, in rural areas and in large built-up cities (taking into account the fact that rural areas in recent years have become increasingly electrified so that electrical interference may prevail more than formerly, and the tall buildings and steel construction prevalent in large cities)?

(3) What are the characteristics of FM sets now in use and being manufactured—especially low-cost sets—and how do these affect performance, especially in relation to interference ratios presently prescribed?

VIII. *Questions not relating to FM assignments or allocations—66. Duplication of AM programming.* In an effort to speed the development of the FM service by permitting economical FM operation, the Commission has up to now permitted FM stations to duplicate—without limitation—the programming of AM stations, usually AM stations under common ownership. Many, perhaps a substantial majority, of FM stations operate on this basis today. Probably this has contributed to the growth of the medium for the reasons intended, and also it permits AM stations to reach an additional FM audience with a service often of higher quality technically, but at the same time a question exists as to whether duplication, or at least unlimited and total duplication, is an appropriate use of FM facilities or amounts to waste of a valuable frequency band. Comments are invited as to whether complete or partial duplication should be permitted for any FM station and, if only partial duplication should be permitted, what maximum percentage of program time should be permitted for this kind of operation.

67. *Other changes in the FM rules.* We further seek comments as to what other changes in the FM rules, such as those relating to frequency or modulation monitors, or grades of operators, should be made.

IX. *Summary and conclusions.* 68. For reasons stated above, a searching and comprehensive review of the status and potential of the FM band is now required. We have reached certain tentative conclusions as to how assignments of new FM stations should be made—on

the basis of an overall plan, and on the basis of strict "go-no-go" standards without elaborate case-to-case consideration of service and interference. (See Section III above.) On this basis, we have formulated a specific proposal, set forth in Section IV above and Appendix A, upon which comments are invited. This plan, or portions thereof or variations thereof, may be adopted in this proceeding, without further rule making unless appropriate. Other specific questions concern how existing facilities should be treated if a plan such as that contemplated by Appendix A is adopted, the concepts involved in Appendix A, and also other subjects as to which rules may be adopted herein, whether or not an overall plan such as that set forth in Appendix A is adopted. With regard to the overall proposal advanced by a petitioner (FM Unlimited), it appears to present a number of serious problems; in view of our overall investigation it is advanced for consideration. As to these subjects (pars. 6 to 64) rules may be adopted herein without further rule making proceedings. In addition, general subjects upon which comments, and, particularly, specific data, are requested are set forth. Except insofar as these subjects (par. 65) are also involved in matters set forth in earlier paragraphs, rules will not be adopted herein on these subjects; however, any determination as to matters covered in earlier paragraphs will, of course, take the comments on these subjects into account. Certain non-allocation questions on which comments are invited are also set forth; rules will not be adopted on these subjects without further rule making (see pars. 66 to 67).

69. It is not expected, or desired, that the comments filed herein will include a point-by-point response to all of the questions set forth herein, especially since many of the subjects involved are highly interrelated. Rather, parties commenting are requested to pick a form of organization which will set forth their basic concepts and proceed from there. For example, data and comments as to receiver characteristics might be presented first, followed by other comments and data as to signal ratios and signal intensity, followed, in turn, by what the party concludes should be the proper standards and principles of station assignments on the basis of the material previously set forth. It would be well if comments on the matter of adoption of strict "go-no-go" standards, from a legal and public interest standpoint, were set forth at a separate point. The same might well apply to the principle of maximum separations proposed at para. 25 above, and to whatever comments the party has on educational assignments.

70. In view of the foregoing: *It is ordered*, This 28th day of June 1961, that:

(1) Notice of rule making is hereby given with respect to the proposals, matters and issues set forth in paragraphs 2 through 64 and in Appendix A;

(2) Notice of Inquiry is given with respect to the matters set forth in paragraphs 65 through 67:

to Class A stations to the 140 uv/m contour (43 dbu), Class B to the 178 uv/m contour (45 dbu) and to Class C stations to the 84 uv/m contour (38.5 dbu). All separations are based on the assumption that both existing and proposed stations operate with maximum facilities.

for second and third adjacent-channel assignments will also serve to prevent objectionable overlap of signal strength contours aside from interference.

With respect to co-channel and first adjacent-channel interference, the separations specified represent "protection"

Class	Maximum facilities permitted (or equivalent)	Protected service area radius (miles)	Minimum co-channel spacing (miles)
Class A (low power)	1 kw ERP, 250 ft. a.a.t.	25	115
Class B (intermediate power)	20 kw ERP, 500 ft. a.a.t.	50	190
Class C (high power)	100 kw ERP, 2,000 ft. a.a.t.	100	300
Class D (low power educational)	10 watts (transmitter power) 100 ft. a.a.t.	6	25
Class E (higher power educational)	Same as for maximum commercial station at the same location (i.e., if Plan 1 is adopted, same everywhere as Class C station; if Plan 2 is adopted, same as Class B station if in Area 1, or same as Class C station if in Area 2).		300

1. Above average terrain.

With respect to second and third adjacent-channel assignments (where the protected service radius is less than for co-channel and first adjacent-channel interference), the minimum separation to be adopted is a double requirement: the new station must be at least the specified distance from the transmitter location of the existing station, and from the nearest point on the existing station's city of assignment. This is to provide stations with interference-free coverage of their cities of assignment.

(c) In order to secure a reasonable efficiency in the assignment of FM channels an applicant shall endeavor to select a channel on which other assignments are not more than 25 miles above the minimum co-channel separations

contained in § 3.313(b) co-channel, 10 to one (20 db); first adjacent channel, two to one (6 db); second adjacent channel, one to one (-20 db); third adjacent channel, one to 100 (-40 db); and (3) the service radii protected against objectionable interference, for the various classes of stations, are as follows:

Class	Against cochannel and first adjacent channel (200 kc removed)	Miles	Against second and third adjacent channel (400 and 600 kc removed)	Miles
Class A	25	10		
Class B	50	25		
Class C	100	35		
Class D	6	6		
Class E	Same as maximum commercial station at same location (Class B or C).		Same as maximum commercial station at same location (Class B or C).	

statements shall be furnished to the Commission.

Released: July 5, 1961.

FEDERAL COMMUNICATIONS COMMISSION,
BEN F. WAPLE,
Acting Secretary.

APPENDIX A

OUTLINE OF SUBSTANCE OF PROPOSED RULES RELATING TO FM STATION ASSIGNMENTS, AND ALTERNATIVE PROPOSALS (WHICH MAY BE ADOPTED WHOLLY, EXCEPT FOR LISTED ALTERNATIVES, OR IN PART, OR VARIATIONS OF WHICH MAY BE ADOPTED)

1. *Over-all assignment plan (with certain alternatives specified below).* The Commission proposes the following over-all allocation plan, with alternatives as specified:

Classes and facilities of stations. (a) With respect to new FM station assignments, there will be five classes of stations, three commercial and two non-commercial educational, operating on maximum facilities (effective radiated power and antenna height above average terrain), or equivalent, and minimum facilities or equivalent, as follows:

Class	Maximum facilities—ERP and ht. a.a.t. (or equivalent)	Minimum facilities—ERP and ht. a.a.t. (or equivalent)
Class A (low power commercial)	1 kw ERP, 250 ft. a.a.t.	100 watts ERP, 100 ft. a.a.t.
Class B (intermediate power commercial)	20 kw ERP, 500 ft. a.a.t.	1 kw ERP, 250 ft. a.a.t.
Class C (high power commercial)	100 kw ERP, 2,000 ft. a.a.t.	20 kw ERP, 500 ft. a.a.t.
Class D (low power educational)	10 watts (transmitter output power)	None.
Class E (higher power educational)	Same as for maximum commercial station at same location (i.e., Class B or Class C, depending on plan set forth below).	None.

The maximum ERP stated will be the maximum regardless of height.

1. Above average terrain.

(b) *Minimum separation between stations—protected service areas.* No new assignments will be authorized at less than specified distances from co-channel and adjacent-channel stations (up to 600 kc removed). These separations are designed to prevent, in general, objectionable interference within a certain distance of the existing station, thus providing that station a particular interference-free service radius and service area. The service radius so protected will vary with the class of station, and will be less for second and third adjacent-channel interference (which does

not result in any overall loss of service) than for co-channel and first adjacent-channel interference.¹ The minimum

(3) the Petition for Rule Making filed by FM Unlimited, Inc. (RM-94) is granted, to the extent stated herein, and in other respects is denied; and

(4) the Petitions for Rule Making filed by Joseph D. Worth and Charles River Broadcasting Company are denied.

73. Authority for the adoption of rules on the subjects specified in Appendix A hereto is contained in sections 4(i), 303 (a), (b), (f), (h), (r), and 307(b) of the Communications Act of 1934, as amended. Authority for the inquiry into the subjects specified in paragraphs 65 through 67 hereto is contained in section 403 of said Act.

74. Pursuant to applicable procedures set out in § 1.213 of the Commission's rules, interested persons may file comments on or before September 5, 1961, and reply comments on or before October 5, 1961. In reaching its decision on the rules and standards of general applicability which are proposed herein, the Commission will not be limited to consideration of comments of record, but will take into account all relevant information obtained in any manner from informed sources.

75. In accordance with the provisions of § 1.54 of the rules, an original and 14 copies of all written comments and

specified in the rules or whole multiples of such separations. In the event this is not possible, the channel providing the next best efficiency should be selected. If the nearest co-channel assignment is over 600 miles distant this requirement need not apply. In no case will assignments be made at less than minimum separations specified.

(d) *Requirements for principal city coverage and avoidance of overlap of commonly owned facilities.* In order to insure adequate coverage of the city to which a new station is assigned, the station's transmitter site shall be no further from the furthest point on that city's boundary than the distance specified in a Table to be adopted for this purpose, with provision for the maximum such distance for the various heights and powers of stations. This Table will be based on the provision of coverage of at least 3 mv/m.

No stations under common ownership will be authorized at distances less than those shown on a Table to be adopted for this purpose, which will provide minimum separations for stations of the various heights and powers. This Table will be based on overlap of 2 mv/m contours.

(e) *Equivalence.* For determining maximum ERP allowed when the antenna height above average terrain is greater than that specified for maximum facilities, a Table adopted for that purpose, giving permissible ERP for the various antenna heights, will be used. This Table will be based on the location of the station's co-channel interference

contour. For determining minimum ERP allowed when the antenna height a.a.t. is less than that specified for minimum facilities, a similar Table will be used. This Table will be based on the station's protected service radius. Both Tables will be based on the same propagation curves used for separations.

(f) *Assignment of noncommercial educational stations to channels.* Non-commercial educational stations of both classes (Class D and Class E) will be assigned to Channels 201 to 220, except in Alaska, where these channels are not available for broadcast use and where, therefore, these classes of stations may be assigned to any available FM channels.

(g) *Assignment of Class A stations to channels.* 20 channels will be reserved (as far as new assignments are concerned) for Class A stations. These 20 channels will be designated on one of two bases, in the alternative:

(1) The 20 channels previously reserved for Class A use (20 channels interspersed through the FM band from channel 221 to channel 296), or;

(2) 20 channels contiguous in the FM band, except in Alaska and Hawaii, where (because part of the FM band is not available for broadcast use) 10 channels would be so reserved.

(h) *Assignment of Class B and Class C stations to channels.* Class B and Class C stations will be assigned to channels reserved therefore, in accordance with one or the other of the following two plans, in the alternative:

Plan I. 20 channels will be reserved in the Continental United States except Alaska, and 10 channels in Alaska and 10 in Hawaii, for use by high-power Class C stations. These channels will be either contiguous in the band, or contiguous except for interspersed Class A channels, depending on the alternative adopted under (f) above. 40 channels

will be reserved for Class B stations. Under this plan, there will be no division of the country into Areas.

Plan II. Area 1 will include most of the northeastern United States and will be defined on the basis of entire states, including the three southern New England states, New York, Pennsylvania, Delaware, the District of Columbia, New Jersey, Ohio, Indiana, and Illinois. In that Area, the 60 channels not reserved for educational or Class A use will be used by Class B stations, operating with facilities described above. The rest of the United States will be in Area 2. In this area, there will be no new Class B assignments, but Class C stations will be assigned (there will be no Class C assignment in Area 1).

(i) *Relationship of existing facilities to new classification of channels.* To the extent there is any reclassification of channels as a result of the plans discussed in (f) and (g) above, stations authorized at the time of adoption of these rules on channels so reclassified will be subject to the following provisions:

(1) In the case of channels reclassified for use by a higher class of station (A to B, A to C, or B to C), existing stations will be protected under the Table of Separations as stations of the new class provided they operate with at least the minimum facilities provided for that class. If not so operating, they will nevertheless be so protected if within six months they apply for increase to attain the minimum, and as long thereafter as their applications are under consideration (such applications by existing stations). If they do not so apply, or their applications cannot be granted, they will thereafter be protected, under a Table of Minimum Separations, only as stations of the class corresponding to their actual facilities. For this limited purpose, a Table of Minimum Separations will be adopted for minimum separation

between co-channel stations of different classes.²

(2) All former Class B stations operating in former Area 2 with facilities greater than the normal maximum for Class B, which are by definition new Class C stations, will be protected under Table of Assignment as Class C stations, regardless of the new class of their channel.

(3) If channels are reclassified for use by a lower class of station (B to A), existing stations will be protected, under a Table of Separations to be adopted for this limited purpose, as stations of their earlier higher class, provided they operate with the minimum facilities for this class or apply therefore within six months.²

(j) *Applications by existing stations for changed facilities.* The following principles will apply to applications by existing stations for changes in facilities:

(1) Applications for a change in channel will be treated like applications for a new station.

(2) Applications for increase in height and power on the same channel will not be subject to the requirement concerning maximum separations.

(3) Where a station operates with antenna height greater than that permitted for maximum facilities, it may increase power to the level permitted by the new Table of Equivalence (based on location of the interference contour).

(k) *Fixed standards.* The foregoing principles are fixed standards, like minimum mileage separations in television.

[F.R. Doc. 61-6434; Filed, July 7, 1961; 8:49 a.m.]

² Although the rules would not necessarily so state, the Tables of Separations relating to existing facilities will be based on the same propagation curves, interference ratios, and "protected" service radii as the Table above.

Notices

DEPARTMENT OF THE TREASURY

Bureau of Customs

[643.3-0]

TETRACYCLINE TABLETS AND CAPSULES FROM ITALY

Notice That There Is Reason To Believe or Suspect Purchase Price Is Less or Likely To Be Less Than Foreign Market Value

JULY 3, 1961.

Pursuant to section 201(b) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(b)), notice is hereby given that there is reason to believe or suspect, from information presented to me, that the purchase price of tetracycline tablets and capsules imported from Italy is less or likely to be less than the foreign market value, as defined by sections 203 and 205, respectively, of the Antidumping Act, 1921, as amended (19 U.S.C. 162 and 164).

Customs officers are being authorized to withhold appraisal of entries of tetracycline tablets and capsules from Italy pursuant to § 14.9 of the Customs Regulations (19 CFR 14.9).

[SEAL] PHILIP NICHOLS, Jr.,
Commissioner of Customs.

[F.R. Doc. 61-6416; Filed, July 7, 1961;
8:47 a.m.]

[T.D. 55414]

SCHLUMBERGER WELL SURVEYING CORP.

Qualification as Citizen of United States

JUNE 30, 1961.

This is to give notice that pursuant to § 3.21, Customs Regulations, issued under the provisions of section 27A of the Merchant Marine Act, 1920, as added by the Act of September 2, 1958 (46 U.S.C. 883-1), the Schlumberger Well Surveying Corporation of Post Office Box 2175, Houston, Texas, incorporated under the laws of the State of Texas, did on May 23, 1961, file with the Commissioner of Customs in duplicate an oath for qualification of a corporation as a citizen of the United States following the form of oath prescribed in customs Form 1260.

The oath shows that:

(a) A majority of the officers and directors of the corporation are citizens of the United States (list of names, home addresses, and citizenship attached to the oath);

(b) Not less than 90 percent of the employees of the corporation are residents of the United States;

(c) The corporation is engaged primarily in a manufacturing or mineral industry in the United States, or in a Territory, District, or possession thereof;

6142

(d) The aggregate book value of the vessels owned by the corporation does not exceed 10 percent of the aggregate book value of the assets of the corporation; and

(e) The corporation purchases or produces in the United States, its Territories or possessions not less than 75 percent of the raw materials used or sold in its operations.

The Commissioner of Customs having found this oath to be in compliance with the law and regulations, on May 23, 1961, issued to the Schlumberger Well Surveying Corporation a certificate of compliance on customs Form 1262 as provided in § 3.21(i) of the regulations. The certificate and any authorization granted thereunder will expire three years from the date thereof unless there first occurs a change in the corporate status requiring a report under § 3.21(h) of the regulations.

[SEAL] D. B. STRUBINGER,
Acting Commissioner of Customs.

[F.R. Doc. 61-6417; Filed, July 7, 1961;
8:47 a.m.]

DEPARTMENT OF THE INTERIOR

Bureau of Land Management
CALIFORNIA

Redelegation of Authority by State Director to Principal Staff Officers

JUNE 28, 1961.

In accordance with authority contained in the Bureau of Land Management Order 541 of April 21, 1954, Part II, section 2.1(a) (1), the following employees are authorized to take action for and in behalf of the State Director in matters listed in sections 2.2 through 2.9 of Part II where those matters are clearly within the particular staff member's functional responsibility:

Range and Forestry Staff Officer.
Lands and Minerals Staff Officer.
Administrative Staff Officer.
Engineering Staff Officer.

To become effective upon publication. Authority delegated may not be re-delegated.

NEAL D. NELSON,
State Director.

[F.R. Doc. 61-6411; Filed, July 7, 1961;
8:46 a.m.]

NEW MEXICO

Notice of Proposed Withdrawal and Reservation of Lands

JUNE 29, 1961.

The Department of the Air Force has filed an application Serial Number NM

061544 for the withdrawal of the lands described below, from all forms of appropriation, including the general mining, but not the mineral leasing laws. The applicant desires the land for an Air Force technical applications center for a classified operational facility.

For a period of 30 days from the date of publication of this notice, all persons who wish to submit comments, suggestions, or objections in connection with the proposed withdrawal may present their views in writing to the undersigned officer of the Bureau of Land Management, Department of the Interior, P.O. Box 1251, Santa Fe, New Mexico.

If circumstances warrant it, a public hearing will be held at a convenient time and place, which will be announced.

The determination of the Secretary on the application will be published in the FEDERAL REGISTER. A separate notice will be sent to each interested party of record.

The lands involved in the application are:

NEW MEXICO PRINCIPAL MERIDIAN

T. 10 S., R. 25 E.,

Sec. 24: E $\frac{1}{2}$ E $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$.

T. 10 S., R. 26 E.,

Sec. 18: E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$;

Sec. 19: SW $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ S $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$;

Sec. 30: NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$.

The area described aggregates 325 acres more or less.

CHESLEY P. SEELEY,
State Director.

[F.R. Doc. 61-6379; Filed, July 7, 1961;
8:45 a.m.]

FEDERAL AVIATION AGENCY

GENERAL ORDER 51 AND POLICY ORDER 3

Rescission

General Order 51 and Policy Order 3 were issued by the Civil Aeronautics Administration effective October 30, 1952 and July 1, 1956, respectively. They established agency policy concerning testimony by employees in legal proceedings and the release of information by employees. These orders were continued in effect as to the Federal Aviation Agency by operation of section 1501(a) of the Federal Aviation Act of 1958.

In a simultaneous action the pertinent provisions of these orders are being incorporated into Part 415, Regulations of the Administrator (14 CFR Part 415) so that the orders are no longer necessary and are being rescinded.¹

Inasmuch as this action involves only matters of Agency management, procedure and practice, notice and public procedure hereon are unnecessary and it may be made effective immediately.

In consideration of the foregoing, the following orders issued by the Civil Aeronautics Administration are hereby rescinded effective upon publication in the FEDERAL REGISTER:

1. General Order 51, effective October 30, 1952.

2. Policy Order 3, effective July 1, 1956.

(Sec. 303(d), 313(a), 72 Stat. 747, 752; 49 U.S.C. 1344, 1354)

Issued in Washington, D.C., on July 3, 1961.

N. E. HALABY,
Administrator.

[F.R. Doc. 61-6412; Filed, July 7, 1961; 8:46 a.m.]

[Agency Order 18]

DEPUTY ADMINISTRATOR

Delegation of Authority

1. *Purpose.* This Order prescribes the duties of The Deputy Administrator of the Federal Aviation Agency and delegates authority necessary to the execution of such duties.

2. *Duties.* The Deputy Administrator is the general manager of the Agency. He serves as Acting Administrator in the absence or disability of the Administrator and as general manager plans, directs, coordinates and insures the adequacy of performance by the following elements of the Agency:

- Air Traffic Service.
- Aviation Facilities Service.
- Flight Standards Service.
- Aviation Medical Service, except that medical research shall be coordinated with the Deputy Administrator for Plans and Development.
- International Aviation Service.
- Bureau of National Capital Airports.
- Regions.

3. *Authority.* With respect to all matters within his purview, and in accordance with such policies, standards, conditions, and limitations as may be prescribed by the Administrator, The Deputy Administrator is authorized to represent and to exercise the authority of the Administrator, except authority:

- To take actions for which authority is by law, regulation, or order reserved to the Administrator.
- To promulgate rules, regulations, orders, and exemptions, other than those which the Directors of the Services, the Director, Bureau of National Capital Air-

ports, or the Assistant Administrators have been authorized to issue.

c. To submit reports to the President or to the Congress.

d. To make determinations pursuant to Section 308 or Section 312 of the Federal Aviation Act.

4. *Redelegation.* The Deputy Administrator may redelegate any authority conferred upon him by this Order to any employee of the Agency. Any redelegation heretofore made to personnel of the elements of the Agency listed in paragraph 2, and in effect as of the date of this Order, shall remain in effect until revoked by The Deputy Administrator. Any redelegation hereafter made shall be in writing, and a copy shall be filed in the Office of Management Services.

5. *Effective date.* This Order is effective July 1, 1961, superseding Agency Bulletin 59-15 and the provisions of any other directive not consistent herewith.

N. E. HALABY,
Administrator.

[F.R. Doc. 61-6413; Filed, July 7, 1961; 8:46 a.m.]

[Agency Order 19]

DEPUTY ADMINISTRATOR FOR ADMINISTRATION

Delegation of Authority

1. *Purpose.* This Order provides for a Deputy Administrator for Administration, prescribes the duties of the position, and delegates authority necessary to the execution of such duties.

2. *Duties.* There is hereby established the position of Deputy Administrator for Administration, the duties of which are to plan, direct, coordinate, and insure the adequacy of the administrative management programs of the Agency, including the immediate direction of:

- The Office of Management Services.
- The Office of Budget.
- The Office of Personnel and Training.

3. *Authority.* With respect to all matters affecting the administrative management programs of the Agency and in accordance with such policies, standards, conditions, and limitations as may be prescribed by the Administrator, the Deputy Administrator for Administration is authorized to represent and to exercise the authority of the Administrator, except authority:

- To take action, authority for which is by law, regulation, or order reserved to the Administrator or the Deputy Administrator.
- To submit reports to the President or to the Congress.

4. *Redelegation of authority.* The Deputy Administrator for Administration may redelegate any authority conferred upon him by this Order to any employee of the Agency. Any redelegation heretofore made by the Assistant Administrator for Management Services or by the Assistant Administrator for Personnel and Training, and in effect as of the date of this Order, is hereby

affirmed as constructively constituting a redelegation by the Deputy Administrator for Administration and shall remain in effect until revoked by him. Any redelegation hereafter made shall be in writing, and a copy shall be filed in the Office of Management Services.

5. *Organizational changes.* a. The positions of Assistant Administrator for Management Services and Assistant Administrator for Personnel and Training are abolished.

b. The Office of Management Services, except as provided below, is continued, and the position of Director of Management Services is established.

c. The Office of Personnel and Training is continued, and the position of Director of Personnel and Training is established.

d. The Budget Division of the Office of Management Services is abolished and reconstituted as the Office of Budget. The position of Director of Budget is established.

e. The Compliance and Inspection Division of the Office of Management Services is abolished and reconstituted as the Compliance and Inspection Staff of the Deputy Administrator for Administration, but the Compliance and Inspection Officer shall continue to report directly to the Administrator.

6. *Effective date.* This Order is effective July 1, 1961, superseding Agency Order 63, Agency Bulletin 59-4, and the provisions of any other directive not consistent herewith.

N. E. HALABY,
Administrator.

[F.R. Doc. 61-6414; Filed, July 7, 1961; 8:47 a.m.]

[Agency Order 20]

DEPUTY ADMINISTRATOR FOR PLANS AND DEVELOPMENT

Delegation of Authority

1. *Purpose.* This Order provides for a Deputy Administrator for Plans and Development, prescribes the duties of the position, and delegates authority necessary to the execution of such duties.

2. *Duties.* There is hereby established the position of Deputy Administrator for Plans and Development, the duties of which are to plan, direct, coordinate, and insure the adequacy of Agency long-range planning, research, and development, including coordination of medical research programs of the Aviation Medical Service and immediate direction of:

- The Office of Plans.
- The Aviation Research and Development Service.

3. *Authority.* With respect to all matters affecting Plans and Development, and in accordance with such policies, standards, conditions, and limitations as may be prescribed by the Administrator, the Deputy Administrator for Plans and Development is authorized to represent and to exercise the authority of the Administrator, except authority:

- To take actions authority for which is by law, regulation, or order reserved

¹ See F.R. Doc. 61-6397 in Rules and Regulations section, *supra*.

to the Administrator or The Deputy Administrator.

b. To submit reports to the President or to the Congress.

c. To make determinations pursuant to sections 308 and 312 of the Federal Aviation Act.

4. *Redelegation of authority.* The Deputy Administrator for Plans and Development may redelegate any authority conferred upon him by this Order to any employee of the Agency. Any re-delegation heretofore made by the Director, Bureau of Research and Development, or by the Assistant Administrator for Plans, and in effect as of the date of this Order, is hereby affirmed as constructively constituting a redelegation of the Deputy Administrator for Plans and Development and shall remain in effect until revoked by him. Any redelegation hereafter made shall be in writing and a copy shall be filed in the Office of Management Services.

5. *Organizational changes.* a. The position of Assistant Administrator for Plans is abolished, and

b. The Office of Plans is continued and the position of Director of Plans is established.

6. *Effective date.* This Order is effective July 1, 1961, amending Agency Orders 9 and 14, and provisions of any other directive not consistent herewith.

N. E. HALABY,
Administrator.

[F.R. Doc. 61-6415; Filed, July 7, 1961;
8:47 a.m.]

FEDERAL COMMUNICATIONS COMMISSION

[Docket No. 14129; FCC 61M-1156]

AUDIO HOUSE, INC. (KRPM)

Order Continuing Hearing

In re application of The Audio House, Inc. (KRPM), San Jose, California, Docket No. 14129, File No. BPH-3256; for construction permit.

The Hearing Examiner having under consideration a request filed June 30, 1961, on behalf of The Audio House, Inc., for continuance of the prehearing conference and hearing, now scheduled for July 12, 1961 and July 27, 1961, respectively, to September 18, 1961 and September 29, 1961, respectively;

It appearing that counsel for all other parties to the proceeding have consented to the requested extension, that good cause has been shown for a grant of the request, and that a grant thereof will conduce to the orderly dispatch of the Commission's business;

It is ordered, This 3d day of July 1961, that the request for continuance is granted, and that the prehearing conference now scheduled for July 12, 1961, and the hearing now scheduled to be commenced on July 27, 1961, are continued to 9:00 a.m., September 18, 1961,

and 10:00 a.m., September 29, 1961, respectively.

Released: July 5, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6421; Filed, July 7, 1961;
8:48 a.m.]

[Docket Nos. 14181, 14182; FCC 61-830]

ELBERT H. DEAN ET AL.

Order Designating Applications for Consolidated Hearing on Stated Issues

In re applications of Elbert H. Dean & B. L. Golden, Lemoore, California, requests 1240 kc, 250 w, U, Docket No. 14181, File No. BP-12811; Glomor Music Broadcasters, Inc. (KHOT), Madera, California, has 1250 kc, 500 w, DA, Day, requests 1250 kc, 1 kw, Day, Docket No. 14182, File No. BP-14294; for construction permits.

At a session of the Federal Communications Commission held at its offices in Washington, D.C., on the 28th day of June 1961;

The Commission having under consideration the above-captioned and described applications;

It appearing that, except as indicated by the issues specified below, each of the instant applicants is legally, technically, financially, and otherwise qualified to construct and operate its instant proposal; and

It further appearing that the Commission, in a prehearing letter dated November 23, 1960, and incorporated herein by reference, notified the instant applicants, and any other known parties in interest, of the grounds and reasons for the Commission's inability to make a finding that a grant of any one of the applications would serve the public interest, convenience, and necessity; and that a copy of the aforementioned letter is available for public inspection at the Commission's offices; and

It further appearing that the instant applicants filed timely replies to the aforementioned letter, which replies have not, however, entirely eliminated the grounds and reasons precluding a grant of the said applications and requiring an evidentiary hearing on the particular issues hereinafter specified; and

It further appearing that after consideration of the foregoing and the applicants' replies, the Commission is still unable to make the statutory finding that a grant of the applications would serve the public interest, convenience, and necessity; and is of the opinion that the applications must be designated for hearing in a consolidated proceeding on the issues specified below;

It is ordered, That, pursuant to section 309(e) of the Communications Act of 1934, as amended, the instant applications are designated for hearing in a consolidated proceeding, at a time and

place to be specified in a subsequent Order, upon the following issues:

1. To determine the areas and populations which would receive primary service from Elbert H. Dean and B. L. Golden and the availability of other primary service to such areas and populations.

2. To determine the areas and populations which may be expected to gain or lose primary service from the proposed operation of Station KHOT and the availability of other primary service to such areas and populations.

3. To determine the nature and extent of the interference, if any, that each of the instant proposals would cause to and receive from each other and the interference that each of the instant proposals would receive from all other existing standard broadcast stations, the areas and populations affected thereby, and the availability of other primary service to the areas and populations affected by interference from any of the instant proposals.

4. To determine whether interference received from existing Class IV stations with 250 watts and the proposed operation of KHOT would affect more than 10 percent of the population within the normally protected primary service area of the instant proposal of Elbert H. Dean and B. L. Golden, in contravention of § 3.28(c)(3) of the Commission rules, and, if so, whether circumstances exist which would warrant a waiver of said section.

5. To determine, in the light of section 307(b) of the Communications Act of 1934, as amended, which of the instant proposals would better provide a fair, efficient and equitable distribution of radio service.

6. To determine, in the light of the evidence adduced pursuant to the foregoing issues which, if either, of the instant applications should be granted.

It is further ordered, That, in the event of a grant of either of the instant applications, the construction permit will contain the condition that no license will be issued until Station KRDU, Dinuba, California, is licensed on a frequency other than 1240 kilocycles.

It is further ordered, That, to avail themselves of the opportunity to be heard, the applicants herein, pursuant to § 1.140 of the Commission rules, in person, or by attorney, shall, within 20 days of the mailing of this Order, file with the Commission in triplicate, a written appearance stating an intention to appear on the date fixed for the hearing and present evidence on the issues specified in this Order.

It is further ordered, That the applicants herein shall, pursuant to section 311(a)(2) of the Communications Act of 1934, as amended, and § 1.362(b) of the Commission's rules, give notice of the hearing, either individually or, if feasible, jointly, within the time and in the manner prescribed in such Rule, and shall advise the Commission of the publication of such notice as required by § 1.362(c) of the rules.

It is further ordered, That, the issues in the above-captioned proceeding may

be enlarged by the Examiner, on his own motion or on petition properly filed by a party to the proceeding, and upon sufficient allegations of fact in support thereof, by the addition of the following issue: To determine whether the funds available to the applicant will give reasonable assurance that the proposals set forth in the application will be effectuated.

Released: July 5, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6422; Filed, July 7, 1961;
8:48 a.m.]

[Docket No. 14123; FCC 61M-1140]

HAZLEHURST RADIO

Order Advancing Date of Hearing

In re application of William E. Sides, tr/as Hazlehurst Radio, Hazlehurst, Georgia, Docket No. 14123, File No. BP-13696; for construction permit.

On the Examiner's own motion and with the consent of the parties: *It is ordered*, This 30th day of June 1961, that the hearing in the above-entitled matter presently scheduled for July 26, 1961, be, and the same is, hereby advanced to July 10, 1961 at 9:30 a.m.

Released: July 3, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6423; Filed, July 7, 1961;
8:48 a.m.]

[Docket No. 14076 etc.; FCC 61M-1149]

KENT-RAVENNA BROADCASTING CO. ET AL.

Order Scheduling Prehearing Conference

In re applications of Kent-Ravenna Broadcasting Co., Kent, Ohio, Docket No. 14076, File No. BP-13749, et al., Docket Nos. 14077, 14078, 14079, 14080, 14081, 14082, 14083, 14084, 14085, 14087, 14088; for construction permits.

The Hearing Examiner having under consideration "Comment by Broadcast Bureau on 'Petition to Sever,'" filed June 29, 1961, in the above-entitled proceeding;

It is ordered, This 3d day of July 1961, that a prehearing conference, pursuant to the provisions of § 1.111 of the Commission's rules, is scheduled herein for July 18, 1961, at 10:00 a.m.¹

Released: July 3, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6424; Filed, July 7, 1961;
8:48 a.m.]

¹ Hearing on Group II, which is presently scheduled for July 18, 1961, at 10:00 a.m., will follow immediately after the prehearing conference.

[Docket Nos. 13980, 13981; FCC 61M-1137]

AUBREY H. ISON ET AL.

Order Continuing Hearing

In re applications of Aubrey H. Ison, James A. McCulla, and Paul C. Master-son, Lompoc, California, Docket No. 13980, File No. BP-13445; Stanley R. Bookstein, Lompoc, California, Docket No. 13981, File No. BP-14420; for construction permits.

The Hearing Examiner having under consideration the desirability for a continuance;

It appearing that the hearing is scheduled to commence on June 30 but that a prior understanding had been reached among the counsel and the Hearing Examiner to have an indefinite continuance in the event a joint pleading was filed by the applicants seeking a dismissal of one and that such pleading has now been filed;

It is ordered, This 29th day of June 1961, that the hearing scheduled for June 30, 1961, is continued indefinitely.

Released: June 30, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6425; Filed, July 7, 1961;
8:48 a.m.]

[Docket Nos. 14173, 14174; FCC 61M-1157]

LAKE ZURICH BROADCASTING CO. AND KENOSHA BROADCASTING, INC.

Order Rescheduling Prehearing Conference

In re applications of Lake Zurich Broadcasting Company, Kenosha, Wisconsin, Docket No. 14173, File No. BPH-3203; Kenosha Broadcasting, Inc., Kenosha, Wisconsin, Docket No. 14174, File No. BPH-3367; for construction permits.

It is ordered, This 5th day of July 1961, that prehearing conference in the above-entitled proceeding which is presently scheduled to convene at 9:00 a.m., Monday, July 31, 1961, is hereby rescheduled, on the Hearing Examiner's own motion, to convene instead on Friday, July 28, 1961 at 9:00 a.m.

Released: July 5, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6426; Filed, July 7, 1961;
8:48 a.m.]

[Docket Nos. 14135-14137; FCC 61M-1147]

MARSHALL C. AND SARAH C. PARKER ET AL.

Statement and Order Following Prehearing Conference

In re applications of Marshall C. Parker, Sarah C. Parker, Beth C. Curlee and Thomas H. Carter, Sr., d/b as Marshall C. and Sarah C. Parker, Tupelo, Mississippi, Docket No. 14135, File No.

BP-13669; Frank K. Spain, tr/as WTWV Radio, Tupelo, Mississippi, Docket No. 14136, File No. BP-14621; Lee H. Thompson, tr/as Pontotoc Broadcasting Company, Pontotoc, Mississippi, Docket No. 14137, File No. BP-14624; for construction permits.

1. The first prehearing conference was held herein on June 30, 1961. All applicants were represented by counsel except Marshall C. Parker, Sarah C. Parker, Beth C. Curlee, and Thomas H. Carter, Sr., d/b as Marshall C. and Sarah C. Parker, which applicant was held to be in default.

2. Agreements were reached among the participating parties and were stated on the record, as reflected in the transcript which is incorporated herein by reference.

It is ordered, This 30th day of June 1961, that these agreements shall govern the course of the proceeding unless modified by the Hearing Examiner for cause or by the Commission upon review of the Hearing Examiner's ruling, and that the hearing herein, previously scheduled for July 25, 1961, is continued to September 18, 1961, at 10:00 a.m.

Released: July 3, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6427; Filed, July 7, 1961;
8:48 a.m.]

[Docket No. 14134; FCC 61M-1142]

TORRINGTON BROADCASTING CO., INC. (WTOR)

Order Continuing Hearing

In re application of The Torrington Broadcasting Company, Incorporated (WTOR), Torrington, Connecticut, Docket No. 14134, File No. BP-13023; for construction permit.

The Hearing Examiner having under consideration agreement of parties participating at prehearing conference on June 30, 1961, regarding date for hearing;

It is ordered, This 30th day of June 1961, that the hearing now scheduled for July 27, 1961 is continued to October 9, 1961, at 10:00 a.m.

Released: July 3, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,
[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6428; Filed, July 7, 1961;
8:48 a.m.]

[Docket No. 14183; FCC 61-831]

JOHN R. POWLEY

Order Designating Application for Hearing on Stated Issues

In re application of John R. Powley, Houston, Texas, req. 106.7 Mc, #294; 3.69 kw; 250 ft., Docket No. 14183, File No. BPH-3282; for construction permit.

At a session of the Federal Communications Commission held at its offices in

Washington, D.C., on the 28th day of June 1961;

The Commission having under consideration the above-described and captioned application;

It further appearing that the applicant is technically qualified except as to issue 2 below but cannot be found to be financially qualified on the basis of the information on file; that, except as indicated by the other issues specified below, the applicant is legally and otherwise qualified; and

It further appearing that the Commission's letter of March 7, 1961, advised the applicant that the proposal to operate 56 hours per week with one engineer, one salesman, and four part-time announcers in addition to the applicant at an estimated cost of operation during the first year of \$4,000 did not appear realistic and that a detailed showing in support of the estimate should be submitted; that the applicant's reply dated March 22, 1961, stated that the applicant personally would operate the station with one salesman on a commission basis with the operating cost reduced from \$4,000 to \$1,300 per year; but that substantial questions obtain as to whether the station can be operated as proposed and whether the applicant's estimated cost of operation, \$1,300 per year, is realistic and, if not, whether the applicant has sufficient funds to construct and operate the proposed station; and

It further appearing that the applicant proposes to perform all the functions of an operating staff without assistance; that Commission's records do not indicate that the applicant is the holder of a radiotelephone first-class operator license and, therefore, it cannot be determined that the operation of the proposed station will be in compliance with § 3.265 of the Commission's rules, which requires that the licensee of an FM broadcast station shall have one or more operators holding a radiotelephone first-class operator license in regular full-time employment; and

It further appearing that the applicant proposes to make the facilities of the proposed station available to various religious groups, that an unspecified portion of the limited funds proposed for operating expenses will be used for "record additions"; that it is not clear what other sources of programming will be available; that paragraph 2(b) of Section IV of the application indicates that news programs will be broadcast but does not list news programs on the proposed program schedule and does not indicate that news material will be available from either wire services or from local news gathering facilities; that on the basis of the information on file the precise type of character of the program service proposes cannot be determined; and

It further appearing that after consideration of the foregoing, the Commission is unable to make the statutory finding that a grant of the application would serve the public interest, convenience, and necessity; and is of the opinion that the application must be designated for hearing on the issues specified below;

It is ordered, That pursuant to section 309(e) of the Communications Act of 1934, as amended, the instant application is designated for hearing at a time and place to be specified in a subsequent Order, upon the following issues:

1. To determine whether the applicant's staffing plans and estimated annual cost of operation for the proposed station are realistic, and, if not, whether the applicant is financially qualified to construct and operate the proposed station.

2. To determine whether the operation of the proposed station will be in compliance with § 3.265 of the Commission's rules.

3. To determine the type and character of the program service which will be broadcast and whether the program service would meet the needs of the city sought to be served.

4. To determine, in the light of the evidence adduced, pursuant to the foregoing issue, whether the instant application should be granted.

It is further ordered, That to avail himself of the opportunity to be heard, the applicant, pursuant to § 1.140 of the Commission's rules, in person or by attorney, shall within 20 days of the mailing of this Order, file with the Commission, in triplicate, a written appearance stating an intention to appear on the date fixed for the hearing and present evidence on the issues specified in this Order.

It is further ordered, That the applicant herein shall, pursuant to section 311(a) (2) of the Communications Act of 1934, as amended, and § 1.362(b) of the Commission's rules, give notice of the hearing within the time and in the manner prescribed in such rule, and shall advise the Commission of the publication of such notice as required by § 1.362(c) of the rules.

Released: July 5, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,

[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6429; Filed, July 7, 1961;
8:48 a.m.]

[Docket No. 14180; FCC 61-829]

REGIONAL RADIO SERVICE

Order Designating Application for Hearing on Stated Issues

In re application of John Coleman, William R. Brown and Donald R. Williams d/b as Regional Radio Service, Rantoul, Illinois, requests 1460 kc, 500 w, DA-D, Class III, Docket No. 14180, File No. BP-13670; for construction permit.

At a session of the Federal Communications Commission held at its offices in Washington, D.C., on the 28th day of June 1961;

The Commission having under consideration the above-captioned and described application;

It appearing that the subject applicant is in all respects qualified to construct and operate its instant proposal, except

as to matters involved in the issues set forth below; and

It further appearing that the following matters are to be considered in connection with the issues specified below:

1. By "Informal Objection" and accompanying engineering affidavit submitted May 16, 1961, the licensee of Station WMBD, Peoria, Illinois, has objected to a grant of the subject proposal. According to measurement data submitted by WMBD, the subject proposal would cause adjacent channel interference to WMBD affecting 12,535 persons within an area of 363 square miles.

2. It cannot be determined, on the basis of information submitted, whether the subject proposal would be in contravention of § 3.28(c) (3) of the Commission's rules.

It further appearing that William R. Brown is employed as chief engineer by Station WDWS, Champaign, Illinois, and Donald R. Williams is employed as an engineer at WDWS; that WDWS provides service to Rantoul and the proposed station will serve Champaign; that, by the terms of the partnership agreement, the partners herein have agreed to devote full time to the business of the partnership; that, therefore, in the event of a grant of the instant application, a condition will be included in the construction permit requiring the applicant to submit evidence that Messrs. Brown and Williams have severed their connections with WDWS; and

It further appearing that, in view of the foregoing, the Commission is unable to make the statutory finding that a grant of the subject application would serve the public interest, convenience, and necessity, and is of the opinion that the application must be designated for hearing on the issues set forth below:

It is ordered, That, pursuant to section 309(e) of the Communications Act of 1934, as amended, the instant application is designated for hearing, at a time and place to be specified in a subsequent Order, upon the following issues:

1. To determine the areas and populations which would receive primary service from the subject proposal and the availability of other primary service to such areas and populations.

2. To determine whether the instant proposal of the subject proposal would cause objectionable interference to Station WMBD, Peoria, Illinois, or any other existing standard broadcast stations, and, if so, the nature and extent thereof, the areas and populations affected thereby, and the availability of other primary service to such areas and populations.

3. To determine whether interference received from existing operations would affect more than ten percent of the population within the normally protected primary service area of the instant proposal of Regional Radio Service in contravention of § 3.28(c) (3) of the Commission's rules, and, if so, whether circumstances exist which would warrant a waiver of said section.

4. To determine, in the light of the evidence adduced pursuant to the foregoing issues, whether a grant of the instant application would serve the public interest, convenience and necessity.

It is further ordered, That Midwest Television, Inc., license of Station WMBD, Peoria, Illinois, is made a party to the proceeding.

It is further ordered, That, in the event of a grant of the instant application, program tests will not be authorized until the permittee has submitted evidence to prove that William R. Brown and Donald R. Williams have severed their connections with Station WDWS, Champaign, Illinois.

It is further ordered, That, to avail themselves of the opportunity to be heard, the applicant and the respondent, pursuant to § 1.140 of the Commission rules, in person or by attorney, shall, within 20 days of the mailing of this Order, file with the Commission in triplicate, a written appearance stating an intention to appear on the date fixed for the hearing and present evidence on the issues specified in this Order.

It is further ordered, That the applicant herein shall, pursuant to section 311(a)(2) of the Communications Act of 1934, as amended, and § 1.362(b) of the Commission's rules, give notice of the hearing, within the time and in the manner prescribed in such Rule, and shall advise the Commission of the publication of such notice as required by § 1.362(c) of the rules.

Released: July 5, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,

[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6430; Filed, July 7, 1961;
8:49 a.m.]

[Docket Nos. 14046, 14048; FCC 61M-1136]

TELEGRAPH HERALD (KDTN) AND
CENTRAL WISCONSIN BROADCASTING, INC. (WCCN)

Order Continuing Hearing

In re applications of: Telegraph Herald (KDTN), Dubuque, Iowa, Docket No. 14046, File No. BP-13862; Central Wisconsin Broadcasting, Inc. (WCCN), Neillsville, Wisconsin, Docket No. 14048, File No. BP-14299; for construction permits.

The Hearing Examiner having under consideration his order continuing the hearing until 9:00 a.m., Monday, July 10, 1961, in the proceeding involving the applications of WGRY, Inc. (WGRY), Docket No. 14044 and Prairie Radio Corporation (WPRC), Docket No. 14047; the fact that he previously ordered the severance of the above-captioned applications (which had been consolidated originally with the applications of WGRY, Inc., and WPRC), but with the hearing on the above applications scheduled for the same date as the hearing on WGRY, Inc., and WPRC because the same counsel are involved; and the continued desirability of holding hearings in both proceedings on the same date;

It is ordered, On the Hearing Examiner's own motion, this 29th day of June 1961, that the hearing on the above-captioned applications presently scheduled to commence at 10:00 a.m., July 6,

1961, is hereby rescheduled to commence at 9:00 a.m., Monday, July 10, 1961, at the Commission's offices, Washington, D.C.;

It is ordered further, That the above applicants will be heard first, i.e., before commencement of the hearing on the applications of WGRY, Inc., and WPRC.

Released: June 30, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,

[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6431; Filed, July 7, 1961;
8:49 a.m.]

[Docket Nos. 14044, 14047; FCC 61M-1138]

WGRY, INC. (WGRY) AND PRAIRIE
RADIO CORP. (WPRC)

Order Continuing Hearing

In re applications of WGRY, Inc. (WGRY), Gary, Indiana, Docket No. 14044, File No. BP-13163; Prairie Radio Corporation (WPRC), Lincoln, Illinois, Docket No. 14047, File No. BP-14206; for construction permits.

The Hearing Examiner having under consideration a petition in the above-entitled proceeding filed June 28, 1961, by applicant Prairie Radio Corporation (WPRC) requesting that the hearing now scheduled to commence at 10:00 a.m., July 6, 1961¹ be rescheduled for July 10 or 11, preferably at 9:00 a.m.;

It appearing that good cause has been shown, the continuance having been requested in order to insure proper compliance by petitioner with the publication requirements of the Communications Act and 47 CFR 1.362; and that all parties have agreed informally with petitioner to grant of the relief requested and to waiver of the Commission's four-day rule;

It is ordered, This 29th day of June 1961, that petition of Prairie Radio Corporation (WPRC) for continuance of hearing is granted, and that the hearing now scheduled to commence at 10:00 a.m., July 6, 1961, at the Commission's offices, Washington, D.C., is hereby rescheduled to commence at 9:00 a.m., Monday, July 10, 1961, at the same place.

Released: June 30, 1961.

FEDERAL COMMUNICATIONS
COMMISSION,

[SEAL] BEN F. WAPLE,
Acting Secretary.

[F.R. Doc. 61-6432; Filed, July 7, 1961;
8:49 a.m.]

OFFICE OF CIVIL AND DEFENSE
MOBILIZATION

IDAHO

Notice of Major Disaster

Pursuant to the authority vested in me by the President under Executive Or-

¹ See order issued simultaneously herewith re proceeding on the applications of Telegraph Herald (KDTN) and Central Wisconsin Broadcasting, Inc. (WCCN), Docket Nos. 14046 and 14048, respectively.

der 10427 of January 16, 1953, Executive Order 10737 of October 29, 1957, Executive Order 10773 of July 1, 1958, and Executive Order 10782 of September 6, 1958 (18 F.R. 407, 22 F.R. 8799, 23 F.R. 5061, and 23 F.R. 6971); by virtue of the Act of September 30, 1950, entitled "An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes" (42 U.S.C. 1855-1855g), as amended; and in furtherance of a declaration by the President in his letter to me dated June 24, 1961, reading in part as follows: "I hereby determine the damage in the various areas of the State of Idaho, adversely affected by floods beginning on or about May 14, 1961, to be of sufficient severity and magnitude to warrant disaster assistance by the Federal Government to supplement State and local efforts."

I do hereby determine the following area in the State of Idaho to have been adversely affected by the catastrophe declared a major disaster by the President in his declaration of June 24, 1961:

The County of:
Boundary.

Dated: June 29, 1961.

LEWIS E. BERRY,
Acting Director.

[F.R. Doc. 61-6420; Filed, July 7, 1961;
8:48 a.m.]

FEDERAL POWER COMMISSION

[Docket No. CP61-282]

KANSAS-NEBRASKA NATURAL GAS
CO., INC.

Notice of Application and Date of
Hearing

JULY 3, 1961.

Take notice that on April 27, 1961, Kansas-Nebraska Natural Gas Company, Inc. (Applicant), Phillipsburg, Kansas, filed an application, as supplemented on June 14, 1961, in Docket No. CP61-282, pursuant to section 7 of the Natural Gas Act, for a certificate of public convenience and necessary seeking authorization to install a 4,200 horsepower turbine driven centrifugal compressor unit addition at its Deerfield, Kansas, compressor station in the Hugoton Field and to construct and operate approximately six miles of 6-inch pipeline replacing a 4-inch line of equal length between Big Springs, Nebraska, and Ovid, Colorado, all as more fully set forth in the application, as supplemented, on file with the Commission and open to public inspection.

Applicant states that the wellhead pressure in the Hugoton Field has declined to the point that the line pressure at the intake of the Deerfield compressor plant is around 220 psig.¹ At present the station has 6,000 horsepower installed including four 450 horsepower compressors that are 40 years old. The proposed installation of an additional

¹ Approximately 70 percent of Applicant's firm transmission peak requirements are supplied from the Hugoton Field.

4,200 horsepower unit is considerably more than is needed to provide the gas requirements for the 1961-62 peak day; however, Applicant states that it cannot place full reliance on the four 40 year old units, and, hence, desire standby units in the station. Furthermore, Applicant states that it is impossible to buy a small-size gas fired turbine driven centrifugal compressor and that the initial cost of the smallest units available is only slightly more than the cost of a conventional 2,500 horsepower gas engine driven reciprocating compressor.

Applicant recites that the proposed construction at Deerfield is not related to or dependent on the existence or non-existence of the sale or exchange of gas by and with Northern Natural Gas Company as proposed in Docket Nos. CP61-275 and CP61-273.

Applicant proposes to construct six miles of 6-inch pipeline replacing a 4-inch line extending from the Big Springs and Chappell gas fields and carrying gas to the towns of Chappell, Nebraska, and Ovid and Julesburg, Colorado. Applicant states that the pressure in the Big Springs and Chappell fields has declined to the point where the wells will not produce much gas against the peak operating pressure of 450-475 psig required on this part of the system with the existing 4-inch line. The application indicates that the proposed 6-inch line will

reduce the operating pressure of the lateral line so that more gas can be delivered from the wells in the Big Springs and Chappell fields.

The total estimated cost of the construction and replacement is \$591,000, which cost will be defrayed from cash working funds.

This matter is one that should be disposed of as promptly as possible under the applicable rules and regulations and to that end:

Take further notice that, pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Power Commission by section 7 and 15 of the Natural Gas Act, and the Commission's rules of practice and procedure, a hearing will be held on August 2, 1961, at 9:30 a.m., e.d.s.t., in a Hearing Room of the Federal Power Commission, 441 G Street NW., Washington, D.C., concerning the matters involved in and the issues presented by such application: *Provided, however*, That the Commission may, after a non-contested hearing, dispose of the proceedings pursuant to the provisions of § 1.30(c) (1) or (2) of the Commission's rules of practice and procedure. Under the procedure herein provided for, unless otherwise advised, it will be unnecessary for Applicant to appear or be represented at the hearing.

Protests or petitions to intervene may be filed with the Federal Power Commission,

Washington 25, D.C., in accordance with the rules of practice and procedure (18 CFR 1.8 or 1.10) on or before July 24, 1961. Failure of any party to appear at and participate in the hearing shall be construed as waiver of and concurrence in omission herein of the intermediate decision procedure in cases where a request therefore is made.

MICHAEL J. FARRELL,
Acting Secretary.

[F.R. Doc. 61-6402; Filed, July 7, 1961; 8:45 a.m.]

[Docket Nos. RI61-554—RI61-559]

J. M. HUBER CORP. ET AL.

Order Providing for Hearings on and Suspension of Proposed Changes in Rates ¹

JULY 3, 1961.

J. M. Huber Corporation, Docket No. RI61-554; Shoreline Exploration, Inc., Docket No. RI61-557; George Parker & Charles L. McCune, Docket No. RI61-558; Socony Mobil Oil Co., Inc., Docket No. RI61-559.

The above-named Respondents have tendered for filing proposed changes in presently-effective rate schedules for sales of natural gas subject to the jurisdiction of the Commission. The proposed changes are designated as follows:

Docket No.	Respondent	Rate schedule No.	Supplement No.	Purchaser and producing area	Amount of annual increase	Date filing tendered	Effective date unless suspended	Date suspended until—	Cents per Mcf		Rate in effect subject to refund in docket Nos.
									Rate in effect	Proposed increased rate	
RI61-554...	J. M. Huber Corp., 2401 East Second Avenue, Denver 6, Colo.	19	1	Natural Gas Pipe Line Co. of America, W. Beaver Panhandle Field, Beaver County, Okla.	\$267	6-7-61	7-12-61	12-12-61	\$ 15.5	16.5	-----
RI61-557...	Shoreline Exploration, Inc., 1203 Beck Building, Shreveport, La.	2	1	United Gas Pipe Line Co., Gibson Field, Terrebonne Parish, La.	3,294	6-8-61	7-9-61	12-9-61	\$ 20.25	23.3	-----
RI61-558...	George Parker & Charles L. McCune, c/o George Parker, Jr., attorney, 2300 Alamo National Building, San Antonio 5, Tex.	1	1	Natural Gas Pipe Line Co. of America, Beaver County, Okla.	163	6-7-61	7-8-61	12-8-61	\$ 16.8	17.0	-----
RI61-559...	Socony Mobil Oil Co., Inc., P.O. Box 900, Dallas 21, Tex.	147	27	Warren Petroleum Corp., Panhandle Field, Wheeler County, Tex.	28	6-12-61	7-17-61	12-17-61	\$ 11.553	11.6292	RI61-349
		148	29	do	12	6-12-61	7-17-61	12-17-61	\$ 11.553	11.6292	RI61-349
		185	1	Natural Gas Pipe Line Co. of America, Quinduno Field, Roberts County, Tex.	581	6-12-61	7-18-61	12-18-61	\$ 12.0	13.0	-----

¹ The stated effective date is that proposed by respondent.

² The stated effective date is the first day after expiration of the required statutory notice.

³ The pressure base is 14.65 psia.

⁴ The pressure base is 15.025 psia.

The increased rates and charges so proposed may be unjust, unreasonable, unduly discriminatory, or preferential, or otherwise unlawful.

The Commission finds: It is necessary and proper in the public interest and to aid in the enforcement of the provisions of the Natural Gas Act that the Commission enter upon hearings concerning the lawfulness of the several proposed changes and that the above-designated supplements be suspended and the use thereof deferred as hereinafter ordered.

The Commission orders:

(A) Pursuant to the authority of the Natural Gas Act, particularly sections 4 and 15 thereof, the Commission's rules of

practice and procedure, and the regulations under the Natural Gas Act (18 CFR Ch. I), public hearings shall be held upon the dates to be fixed by notice from the Secretary concerning the lawfulness of the several proposed changes and that the above-designated supplements be suspended and the use thereof deferred as hereinafter ordered.

(B) Pending hearing and decision thereon, each of the above-designated supplements is hereby suspended and the use thereof deferred until the date indicated in the above "Date Suspended Until" column, and thereafter until such further time as it is made effective in

the manner prescribed by the Natural Gas Act.

(C) Neither the supplements hereby suspended, nor the rate schedules sought to be altered thereby, shall be changed until these proceedings have been disposed of or until the periods of suspension have expired, unless otherwise ordered by the Commission.

(D) Notices of intervention or petitions to intervene may be filed with the Federal Power Commission, Washington

¹ This order does not provide for the consolidation for hearing or disposition of the several matters covered herein, nor should it be so construed.

25, D.C., in accordance with the rules of practice and procedure (18 CFR 1.8 and 1.37(f)) on or before August 25, 1961.

By the Commission.

[SEAL] MICHAEL J. FARRELL,
Acting Secretary.

[F.R. Doc. 61-6401; Filed, July 7, 1961;
8:45 a.m.]

[Docket Nos. RI61-555, RI61-556]

SUN OIL CO. ET AL.

Order Providing for Hearings on and Suspension of Proposed Changes in Rates and Allowing Rates To Become Effective Subject To Refund¹

JULY 3, 1961.

Sun Oil Company, Docket No. RI61-555; Sun Oil Company (Operator), et al., Docket No. RI61-556.

On June 7, 1961, Sun Oil Company (Sun)² and Sun Oil Company (Operator), et al (Sun)² tendered for filing proposed changes in presently effective rate schedules for sales of natural gas subject to the jurisdiction of the Commission. The proposed changes, representing decreases in rates to El Paso Natural Gas Company involve sales from Levelland Field, Hockley County, Texas, and Jameson Field, Coke County, Texas, and are designated Supplement No. 7 to Sun Oil Company's FPC Gas Rate Schedule No. 1, and Supplement No. 6 to Sun Oil Company (Operator), et al.'s FPC Gas Rate Schedule No. 80, respectively. The decreases are from 18.0452 cents³ to 17.0427 cents per Mcf at a pressure base of 14.65 psia, and reflect a total annual decrease of \$459 for Rate Schedule No. 1 and \$28,815 for Rate Schedule No. 2.

The effective date of July 8, 1961, is the first day after expiration of the required statutory notice. The proposed rates, based on a renegotiated rate, exceed the price for the area under the Commission's Statement of General Policy No. 61-1, and may be unjust, unreasonable, unduly discriminatory, or preferential, or otherwise unlawful.

The Commission finds: It is necessary and proper in the public interest and to aid in the enforcement of the provisions of the Natural Gas Act that the Commission enter upon hearings concerning the lawfulness of the several proposed changes and that the above-designated supplements be suspended and the use thereof deferred as hereinafter ordered.

The Commission orders:

(A) Pursuant to the authority of the Natural Gas Act, particularly sections 4 and 15 thereof, the Commission's rules

of practice and procedure, and the regulations under the Natural Gas Act (18 CFR Ch. I), public hearings shall be held upon the dates to be fixed by notice from the Secretary concerning the lawfulness of the several proposed changes and that the above-designated supplements be suspended and the use thereof deferred as hereinafter ordered.

(B) Pending hearing and decision thereon, each of the above-designated supplements is hereby suspended and the use thereof deferred until July 9, 1961, and thereafter until such further time as it is made effective in the manner prescribed by the Natural Gas Act, *Provided, however*, That within 20 days from the date of the issuance of this order, Sun shall execute and file in the respective proceeding an agreement and undertaking to comply with the refunding and reporting procedures required by the Natural Gas Act and § 154.102 of the regulations thereunder, accompanied by a certificate showing service of copies thereof upon all purchasers under the rate schedule involved. Unless Sun is advised to the contrary within 15 days after the filing of such agreement and undertaking, the agreement and undertaking shall be deemed to have been accepted.

(C) Neither the rate schedules hereby suspended, nor the rate schedules sought to be altered thereby, shall be changed until these proceedings have been disposed of or until the periods of suspension have expired, unless otherwise ordered by the Commission.

(D) Notices of intervention or petitions to intervene may be filed with the Federal Power Commission, Washington 25, D.C., in accordance with the rules of practice and procedure (18 CFR 1.8 and 1.37(f)) on or before August 25, 1961.

By the Commission.

MICHAEL J. FARRELL,
Acting Secretary.

[F.R. Doc. 61-6403; Filed, July 7, 1961;
8:46 a.m.]

SECURITIES AND EXCHANGE COMMISSION

[File No. 812-1360]

DEVONSHIRE STREET FUND, INC.

Notice of Filing of Application

JUNE 30, 1961.

Notice is hereby given that Devonshire Street Fund, Inc., Boston, Mass., a Massachusetts corporation and a management open-end investment company registered under the Investment Company Act of 1940 ("Act"), has filed an application, with amendments, pursuant to sections 6(c) and 17(b) of the Act for an order of the Commission exempting from the provisions of section 17(a) of the Act the proposed transactions hereinafter described.

Applicant, a newly formed company, has filed a registration statement under the Securities Act of 1933, under which

it has offered to interested persons referred to as "Depositors" an opportunity to participate in a simultaneous tax-free exchange of securities owned by them having a market value of not less than \$15,000 for shares of Applicant. During the period prior to the exchange, deposits will be held by a bank for the individual accounts of the Depositors. Solicitations terminated on June 12, 1961, and Applicant is sending a special report to the Depositors, dated June 23, 1961, listing securities deposited, stating their current market values and estimated Federal tax bases. The report discloses that securities with a tax basis of \$7,376,904 and a market value, as of June 8, 1961, of \$92,571,514 were deposited by 810 Depositors. The Depositors may withdraw any or all of their deposited securities at any time prior to the close of business on July 13, 1961. Applicant may reject securities on deposit at any time prior to, and for a period of up to 10 days after the period during which the Depositor may withdraw. Thereafter, the Depositor has 10 days after the receipt of any notice of rejection to withdraw any or all of his deposited securities. Upon the expiration of the above-described periods for withdrawal, and provided that the market value of the remaining deposited securities aggregates at least \$10,000,000, the exchange of shares of the Applicant for the deposited securities will be consummated within 10 days thereafter on such date as the Applicant may determine, without further action by the Depositors. It is anticipated by Applicant that the exchange of deposited securities for shares of the Applicant will be consummated as of a date between July 25 and July 31, 1961.

All Depositors are required to represent in writing that at the time of the receipt of the shares of Applicant they will be acquiring such shares without any intention of distributing them in a public offering. The deposited securities will be valued at current market value as of the close of business on the last business day prior to the exchange, and shares of the Applicant will be issued to each Depositor on the basis of a per share valuation of \$12.50 for Applicant's shares, after deducting from the value of the deposited securities a sales charge varying from 4 percent to 1.25 percent depending on the value thereof.

Since the exchange will be tax-free to the Depositors, Applicant will have the same tax basis as the Depositors had for the securities acquired from them. Applicant has undertaken, as a condition to the requested exemptive order, not to make subsequent public offerings of its shares without the approval of the Commission except through plans for reinvestment of income and capital gain dividends by its shareholders.

Section 17(a) of the Act, with certain exceptions not here relevant, prohibits the sale of securities or other property to a registered investment company by promoters or affiliated persons of such company, or by affiliated persons of such promoters or affiliated persons. Section 2(a) (3) of the Act, among other things,

¹ This order does not provide for the consolidation for hearing or disposition of the several matters covered herein nor should it be so construed.

² 1608 Walnut Street, Philadelphia 3, Pa.

³ Sun Oil Co.'s present rate is in effect subject to refund in Docket No. RI60-123 and Sun Oil Co. (Operator) et al.'s present rate is in effect subject to refund in Docket No. RI60-124.

states that an affiliated person of another person means any officer or director of such other person.

Applicant intends to accept for inclusion in its portfolio, subject to the granting by the Commission of the order

requested, certain securities deposited by three of its directors. The names of such Depositors and the amounts, issuers, Federal tax bases and market values of their deposited securities are as follows:

Name of director	Number of shares deposited	Issuer	Federal tax basis ¹	Estimated market value ²
Don G. Mitchell.....	6,000 A ordinary shares.....	Thorn Electrical Industries, Inc....	\$14,623	\$43,500
	25,000 ordinary shares.....	do.....	50,421	200,000
Charles C. Cabot.....	200 shares common stock.....	Continental Casualty Co.....	1,342	19,800
Melvin H. Baker.....	2,600 shares common stock.....	Strategic Materials Corp.....	37,964	63,050

¹ As furnished by depositor.

² As of close of business on June 8, 1961.

³ 1,000 of these shares have a Federal tax basis of \$2.75 per share and 1,600 have a Federal tax basis of \$3.24 per share.

One other deposit of the common stock of Continental Casualty Company has been received consisting of 104 shares of said stock. Applicant intends to accept said deposit. No other deposits of the above-described securities have been received.

The proposed transactions described above involving the three directors of Applicant who have deposited securities would be prohibited by said section 17(a) unless the Commission issues an order exempting such transactions from the provisions thereof. Under section 17(b) of the Act, the Commission shall grant an exemption from the prohibitions of section 17(a) if it finds that the terms of the proposed transactions are reasonable and fair and do not involve overreaching on the part of any person concerned; that the proposed transactions are consistent with the policy of the registered investment company concerned, as recited in its registration statement and reports filed under the Act, and with the general purposes of the Act. Section 6(c) of the Act authorizes the Commission, by order upon application, to exempt, conditionally or unconditionally, any transaction or any class of transactions from any provisions of the Act or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

In support of its application, Applicant states that the proposed transactions between Applicant and the aforementioned persons will be treated on the same basis as the transactions between Applicant and any other Depositor whose securities are accepted by Applicant; that the securities proposed to be accepted in said transactions conform to Applicant's investment objective and policies; and that in no case has Applicant rejected securities of the same issuers as those described above, which were deposited by other than such persons.

Notice is further given that any interested person may, not later than July 14, 1961, at 5:30 p.m., submit to the Commission in writing a request for a hearing on the matter accompanied by a statement as to the nature of his interest, the reason for such request and the issues, if any, of fact or law proposed to be controverted, or he may request that he be notified if the Commission should order a hearing thereon. Any such com-

munication should be addressed: Secretary, Securities and Exchange Commission, Washington 25, D.C. At any time after said date, as provided by Rule O-5 of the rules and regulations promulgated under the Act, an order disposing of the application herein may be issued by the Commission upon the basis of the showing contained in said application, unless an order for hearing upon said application shall be issued upon request or upon the Commission's own motion.

By the Commission.

[SEAL] ORVAL L. DuBOIS,
Secretary.

[F.R. Doc. 61-6405; Filed, July 7, 1961;
8:46 a.m.]

[File No. 812-1372]

INTERNATIONAL BANK

Notice of and Order for Hearing on Application

JUNE 30, 1961.

Notice is hereby given that International Bank, Washington, D.C., a corporation organized and existing under the laws of the State of Arizona, having its principal offices and place of business in Washington, D.C., has filed an application pursuant to section 3(b) (2) of the Investment Company Act of 1940 ("Act") for an order of the Commission declaring that it is primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding or trading in securities, either directly, through majority-owned subsidiaries, or through controlled companies conducting similar types of business. International Bank has also filed an amendment to said application pursuant to section 6(c) for an order of the Commission temporarily exempting it from section 7 of the Act, as more fully described hereinafter. All interested persons are referred to the application on file with the Commission for a complete statement thereof.

Section 3(a)(1) of the Act defines as an investment company an issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities. Section 3(a)(3) of the Act defines as an investment company an issuer which is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment

securities having a value exceeding 40 per centum of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis. For purposes of section 3(a)(3), "investment securities" includes all securities except Government securities, securities issued by employees' securities companies, and securities issued by majority-owned subsidiaries of the owner which are not investment companies.

International Bank asserts that it is not an investment company within the meaning of section 3(a)(3) of the Act. Unaudited financial statements on a valuation basis as of December 31, 1960, filed by International Bank as an exhibit to its application, indicate its total assets to be \$15,542,785, of which \$20,276 consist of cash. Among the assets therein listed which are "investment securities" for purposes of section 3(a)(3) are \$2,017,650 in the securities of Financial General Corporation, \$2,738,147 in the securities of Iowa Interests Corporation (a 50 percent-owned subsidiary which is a registered investment company under the Act), an additional \$18,667 in notes and accounts receivable from Iowa Interests Corporation, and a \$123,500 long-term note receivable. In addition, International Bank values at \$3,570,408 in such statements its 100 percent equity ownership of Officers Finance Plan, Inc., and holds notes and accounts receivable from that corporation valued at \$1,366,236. Officers Finance Plan, Inc., according to such statements, in turn owns securities of Financial General Corporation valued at \$2,529,975, and securities of The Equity Corporation (a registered investment company under the Act) value at \$942,620; the remainder of its assets consists of \$704,332 in cash and \$3,764,886 in other assets, and it may therefore be an investment company within the meaning of section 3(a)(3). If Officers Finance Plan, Inc., be deemed an investment company, the total investment securities of International Bank would aggregate \$9,834,608, or approximately 63 percent of its total assets exclusive of cash.

International Bank states that it is presently engaged in the following primary activities: personal small loan business (through Officers Finance Plan, Inc., a wholly-owned subsidiary); registration of ships, servicing of corporations, and commercial banking in the Republic of Liberia (through the International Trust Company of Liberia, a majority-owned subsidiary); life, fire, and casualty insurance (through working control of Financial General Corporation and Iowa Interests Corporation); banking (through working control of Financial General Corporation); real estate development (through International Land Corporation, a wholly-owned subsidiary); and manufacturing plywood and textiles (through working control of Financial General Corporation which, in turn, controls Atlas General Industries, Inc.).

International Bank further states that it is presently engaged in the following secondary activities: automobile and insurance premium financing (through First Insurance Finance Company, a wholly-owned subsidiary); servicing au-

tomobile paper of commercial banks on a banker-dealer plan (through American Installment Credit Corporation, controlled through Financial General Corporation); international trade paper financing (on its own account, and through International of Washington, Inc., a wholly-owned subsidiary); export-import activities (through Aeon International Corporation, a wholly-owned subsidiary); steamship line, agricultural and construction equipment leasing (through Caribbean Corporation, a majority-owned subsidiary); and financing of aircraft equipment parts leasing and participation in an urban renewal program (through Intermediate Credit Corporation, controlled through Financial General Corporation).

Iowa Interests Corporation, 50 percent of whose outstanding common stock is owned by International Bank, has filed an application under section 17(b) of the Act for an order of the Commission exempting a proposed consolidation with International Bank from the provisions of section 17(a) of the Act (File No. 812-1402). It is presently contemplated that this latter application will be considered separately from the instant application.

Section 3(b)(2) of the Act provides that, notwithstanding section 3(a)(3), the term "investment company" does not include an issuer which the Commission finds and by order declares to be primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities either directly or through majority-owned subsidiaries or through controlled companies conducting similar types of businesses. The instant application was filed by International Bank on December 16, 1960. Section 3(b)(2) further provides that the filing of an application thereunder shall exempt the applicant for a period of sixty days from all provisions of the Act applicable to investment companies as such. It also provides that for cause shown the Commission by order may extend such period of exemption.

Section 7 of the Act, generally speaking, prohibits an investment company which has not registered under section 8 from engaging, directly or indirectly, in various activities, including inter alia the sale or purchase of securities by use of the mails or any means or instrumentality of interstate commerce, engagement in any business in interstate commerce, or control of any company so engaged. International Bank has not registered as an investment company under section 8 of the Act, and it has filed an amendment to the instant application for an order of the Commission pursuant to section 6(c) exempting it from section 7 until the Commission's determination of its status under section 3(b)(2).

Section 6(c) of the Act authorizes the Commission, by order upon application, to exempt conditionally or unconditionally any person from any provisions of the Act, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 6(e) of

the Act provides that if, in connection with any order exempting any investment company from any provision of section 7, the Commission deems it necessary or appropriate in the public interest or for the protection of investors that certain specified provisions of the Act pertaining to registered investment companies shall be applicable in respect of such company, the provisions so specified shall apply to such company, and to other persons in their transactions and relations with such company, as though such company were a registered investment company.

International Bank, in requesting a Commission order temporarily exempting it from section 7 as hereinabove described, has consented that it be accompanied by a further order of the Commission pursuant to section 6(e) of the Act providing that International Bank and other persons in their transactions and relations with it be subject to all other provisions of the Act and the respective rules and regulations promulgated under each of such provisions as though International Bank were a registered investment company except section 8(b), section 30(a), section 30(b), section 30(d), and section 32(a), and the rules and regulations thereunder.

Notice is further given that, in respect of the amendment requesting an order of temporary exemption, any interested person may, not later than the 19th day of July, 1961 at 5:30 p.m., submit to the Commission in writing a request for a hearing on the matter accompanied by a statement as to the nature of his interest, the reasons for such request, and the issues of fact or law proposed to be controverted, or he may request that he be notified if the Commission should order a hearing thereon. Any such communication should be addressed: Secretary, Securities and Exchange Commission, Washington 25, D.C. At any time after said date, as provided by Rule O-5 of the rules and regulations promulgated under the Act, an order disposing of the application herein insofar as it relates to said requested exemption may be issued by the Commission upon the basis of the showing contained in said application, unless an order for hearing thereon shall be issued upon request or upon the Commission's own motion.

It appearing to the Commission that it is appropriate in the public interest and in the interest of investors that a hearing to held with respect to the application pursuant to section 3(b)(2) of the Act:

It is ordered, Pursuant to section 40(a) of the Act, that a hearing on the aforesaid application under the applicable provisions of the Act and of the rules of the Commission thereunder be held on the 24th day of July, 1961 at 10:00 a.m., in the offices of the Securities and Exchange Commission, 425 Second Street NW., Washington 25, D.C. At such time the Hearing Room Clerk will advise as to the room in which such hearing will be held. Any person desiring to be heard or otherwise wishing to participate in this proceeding is directed to

file with the Secretary of the Commission his application as provided by Rule 9(c) of the Commission's rules of practice, on or before the date provided in the rule, setting forth any issues of law or fact which he desires to controvert or any additional issues which he deems raised by this Notice and Order or by such application.

It is further ordered, That William W. Swift, or any officer or officers of the Commission, designated by it for that purpose, shall preside at said hearing. The officer so designated is hereby authorized to exercise all the powers granted to the Commission under sections 41 and 42(b) of the Investment Company Act of 1940 and to a hearing officer under the Commission's rules of practice.

The Division of Corporate Regulation having advised the Commission that it has made a preliminary examination of the application, and that upon the basis thereof the following matters and questions are presented for consideration, without prejudice to its specifying additional matters and questions upon further examination: (1) Whether International Bank is an investment company within the meaning of section 3(a)(3) of the Investment Company Act of 1940; and (2) Whether International Bank is primarily engaged in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities either directly or through majority-owned subsidiaries or through controlled companies conducting similar types of businesses;

It is further ordered, That at the aforesaid hearing attention be given to the foregoing matters and questions.

It is further ordered, That the Secretary of the Commission shall give notice of the aforesaid hearing by mailing a copy of this Notice and Order by registered mail to International Bank, and that notice to all other persons be given by publication of this Notice and Order in the FEDERAL REGISTER, and that a general release of this Commission in respect of this Notice and Order be distributed to the press and mailed to the mailing list for releases.

By the Commission.

[SEAL]

ORVAL L. DuBOIS,
Secretary.

[F.R. Doc. 61-6406; Filed, July 7, 1961; 8:46 a.m.]

[File No. 70-3975]

MIDLAND ENTERPRISES INC., AND S. H. SCHEUER AND ASSOCIATES

Notice of Filing of Application for Approval of Acquisition of Common Stock of Holding Company

JUNE 30, 1961.

Notice is hereby given that Midland Enterprises Inc., a New York corporation ("Midland"), and S. H. Scheuer, principal stockholder of Midland, on behalf of himself, his spouse Helen R. Scheuer, the S. H. and Helen R. Scheuer Family Foundation, Inc., a non-profit corporation, and as Trustee of certain trusts of which members of his family

are beneficiaries ("Scheuer"), have filed with this Commission a joint application pursuant to the Public Utility Holding Company Act of 1935 ("Act"). The application designates sections 2(a)(7), 9 and 10 of the Act as applicable to the proposed transactions.

All interested persons are referred to the joint application, on file at the office of the Commission, for a statement of the proposed transactions, which are summarized as follows:

Midland is engaged principally in owning towboats and barges leased to and operated by its wholly owned subsidiary company, The Ohio River Company ("ORCO"), a West Virginia corporation and a Class A common carrier which operates as a water carrier principally on the Ohio and Mississippi Rivers and the Illinois Waterway. Midland and ORCO own and operate transportation facilities, consisting of towboats, floating drydock and harbor equipment, barge terminals, and related facilities. About 65 percent of the fleet was acquired since 1954 for a total expenditure of some \$27,000,000. In addition to physical property and the stock of ORCO, Midland owns all of the outstanding stock of three minor non-utility companies, cash in the amount of approximately \$2,057,196, marketable securities having a market value of approximately \$2,008,699, and other current assets of about \$1,789,800.

The consolidated revenues of Midland and its subsidiary companies for 1960 aggregated \$16,077,000, and the consolidated net income for the year amounted to \$1,543,000.

Pursuant to an agreement, dated June 1, 1961, between Midland and Eastern Gas and Fuel Associates ("Eastern"), Midland will convey and transfer, subject to substantially all of its debts and liabilities, substantially all of its and ORCO's assets to a newly organized wholly owned subsidiary company of Eastern, a non-affiliate company. Eastern, which is engaged in various enterprises, including the mining, transportation and sale of bituminous coal, coke plants, bulk and worldwide cargo ships, towboats, and a gas utility company serving Boston, Massachusetts, is exempt as a holding company from the provisions of the Act by order issued pursuant to section 3(a)(1) of the Act (Holding Company Act Release No. 12807, February 20, 1955).

In exchange for the assets to be transferred, Midland is to receive 494,500 shares of Eastern's authorized but unissued \$10 par value common stock, having a value for the purpose of the exchange of approximately \$20,000,000 based upon the market price thereof on June 1, 1961. The application states that the exchange price was fixed by arm's-length negotiations, and is the equivalent of $1\frac{1}{4}$ shares of Eastern to 1 share of Midland which ratio was determined after considering the past and prospective earnings of the two companies, their market prices past and present, and other relevant factors. In addition, Eastern is to grant to certain employees of ORCO the option to purchase an aggregate of 13,500 shares of Eastern's common stock at a price of

about \$30.97 per share in substitution of options granted to them by Midland on March 10, 1961, to purchase an aggregate of 10,800 shares of Midland's common stock at about \$38.71 per share (95 percent of the market value on that date).

As the result of the exchange by Midland of assets for Eastern's stock, Midland will acquire approximately 15 percent of Eastern's stock to be outstanding, which Midland will promptly distribute to its stockholders. Thereupon, Midland is to be dissolved. Midland seeks approval of the acquisition of the Eastern stock, and requests, pursuant to section 2(a)(7) of the Act, that it be declared not to be a holding company with respect to Eastern during the interval between its acquisition of the Eastern stock and its dissolution.

By virtue of the distribution of the Eastern stock by Midland, Scheuer will acquire 323,955 shares of Eastern which, together with 700 shares presently owned, will aggregate 9.78 percent of Eastern's stock to be outstanding. Scheuer seeks approval, pursuant to sections 9(a)(2) and 10 of the Act, of the acquisition of the Eastern stock.

The fees and expenses to be incurred by applicants in connection with the proposed transactions are estimated at \$150,000, consisting of printing expense of \$10,000, accountants fees of \$10,000, and counsel fees and expenses of \$130,000.

The application states that no State commission, and no Federal commission, other than this Commission, has jurisdiction over the proposed transactions by Midland and Scheuer.

Notice is further given that any interested person may, not later than July 14, 1961, request in writing that a hearing be held in respect of such matters, stating the nature of his interest, the reasons for such request, and the issues of fact or law which he desires to controvert; or he may request that he be notified should the Commission order a hearing in respect thereof. Any such request should be addressed: Secretary, Securities and Exchange Commission, Washington 25, D.C. At any time after said date, the Commission may grant the application, as filed or as it may be amended, as provided by Rule 23 promulgated under the Act; or the Commission may grant exemption from its general rules and regulations as provided by Rules 20(a) and 100 thereof, or take such other action as it deems appropriate.

By the Commission.

[SEAL] ORVAL L. DuBOIS,
Secretary.

[F.R. Doc. 61-6407; Filed, July 7, 1961;
8:46 a.m.]

[File No. 1-4252]

UNITED INDUSTRIAL CORPORATION (DELAWARE)

Order Summarily Suspending Trading

JULY 3, 1961.

The Common Stock, \$1 par value of United Industrial Corporation (Delaware) being listed and registered on the

New York Stock Exchange and the Pacific Coast Stock Exchange, and admitted to unlisted trading privileges on the Detroit Stock Exchange; and

The Series A Convertible Preferred Stock \$8.50 par value of United Industrial Corporation (Delaware) being listed and registered on the New York Stock Exchange and the Pacific Coast Stock Exchange; and

The Warrants to Purchase Common Stock of United Industrial Corporation (Delaware) being listed and registered on the American Stock Exchange and the Pacific Coast Stock Exchange; and

The Commission being of the opinion that the public interest requires the summary suspension of trading in each such security on such Exchanges and that such action is necessary and appropriate for the protection of investors; and

The Commission being of the opinion further that such suspensions are necessary in order to prevent fraudulent, deceptive or manipulative acts or practices, with the result that it will be unlawful under section 15(c)(2) of the Securities Exchange Act of 1934 and the Commission's Rule 15c2-2 thereunder for any broker or dealer to make use of the mails or of any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of any of such securities, otherwise than on a national securities exchange;

It is ordered, Pursuant to section 19(a)(4) of the Securities Exchange Act of 1934 that trading in said securities on the American Stock Exchange, the New York Stock Exchange, the Detroit Stock Exchange and the Pacific Coast Stock Exchange be summarily suspended in order to prevent fraudulent, deceptive or manipulative acts or practices, this order to be effective for a period of ten (10) days, July 5, 1961, to July 14, 1961, both dates inclusive.

By the Commission.

[SEAL] ORVAL L. DuBOIS,
Secretary.

[F.R. Doc. 61-6408; Filed, July 7, 1961;
8:46 a.m.]

TARIFF COMMISSION

[22-9D]

RYE

Notice of Indefinite Postponement of Hearing

Notice is hereby given that the public hearing in connection with the investigation instituted under section 22(a) of the Agricultural Adjustment Act, as amended, concerning "Rye, Rye Flour, and Rye Meal," heretofore scheduled for July 11, 1961 (26 F.R. 5438), has been postponed until further notice.

Issued: July 7, 1961.

By order of the Commission.

[SEAL] DONN N. BENT,
Secretary.

[F.R. Doc. 61-6524; Filed, July 7, 1961;
12:10 p.m.]

CUMULATIVE CODIFICATION GUIDE—JULY

The following numerical guide is a list of the parts of each title of the Code of Federal Regulations affected by documents published to date during July.

3 CFR	Page	14 CFR—Continued	Page	36 CFR	Page
EXECUTIVE ORDERS:		PROPOSED RULES:		PROPOSED RULES:	
8344-----	5926	60-----	6001, 6129	1-----	6085
10949-----	5918	600-----	5959, 6103-6106		
10951-----	5918	601-----	5959, 5960, 6105-6109, 6129	39 CFR	
PRESIDENTIAL DOCUMENTS OTHER		602-----	6109, 6110	111-----	6125
THAN PROCLAMATIONS AND EXECU-				112-----	6125
TIVE ORDERS:		16 CFR		131-----	6125
Reorganization Plan 13 of		3-----	6015	168-----	6125
1950-----	5989	4-----	6016	PROPOSED RULES:	
Reorganization Plan 3 of 1961--	5989	13-----	5994, 5995, 6022, 6023, 6075-6079	51-----	6029
5 CFR		17 CFR		41 CFR	
6-----	5990, 6013, 6069	279-----	6024	2-3-----	6125
6 CFR		18 CFR		43 CFR	
421-----	6121	PROPOSED RULES:		PUBLIC LAND ORDERS:	
427-----	5945	260-----	6001	225-----	5925
517-----	6013	19 CFR		255-----	5926
540-----	5945	6-----	6024	317-----	6003
7 CFR		PROPOSED RULES:		922-----	6003
27-----	5945	16-----	5958	2411-----	5924
28-----	5945	21 CFR		2412-----	5924
68-----	5945	8-----	5919	2413-----	5924
775-----	6014	17-----	6079	2414-----	5925
913-----	5952	25-----	5919	2415-----	5925
922-----	5952, 6121	51-----	5919, 6080	2416-----	5926
934-----	5953	120-----	5919	2417-----	5926
936-----	5954	121-----	5920, 6025, 6080	2418-----	5926
937-----	5990, 6069	141b-----	5920	2419-----	5927
953-----	5954, 6122	141c-----	6025	2420-----	5927
957-----	6014	141d-----	5920, 6026	2421-----	5996
992-----	5954	141e-----	5920	2422-----	6080
1018-----	6069	146-----	6026		
1031-----	5955	146b-----	5920	46 CFR	
PROPOSED RULES:		146c-----	6025	2-----	5996
81-----	5958	146d-----	5920	35-----	5997
1008-----	6029	147-----	5923, 5924	78-----	5997
1026-----	6085	PROPOSED RULES:		97-----	5997
1027-----	6103	120-----	5959, 6031, 6129	136-----	5998
9 CFR		121-----	5959	154-----	5998
74-----	5956, 6071	305-----	6001	167-----	5998
77-----	6013	25 CFR		171-----	5999
131-----	6071	PROPOSED RULES:		244-----	6080
151-----	6071	221-----	6032	47 CFR	
PROPOSED RULES:		233-----	6085	1-----	6027
74-----	5958	28 CFR		PROPOSED RULES:	
12 CFR		50-----	6026	2-----	6033
220-----	6073	29 CFR		3-----	6129, 6130
221-----	6073	PROPOSED RULES:		4-----	6033
13 CFR		511-791-----	6127	7-----	6034
122-----	5956	694-----	6128	9-----	6034
PROPOSED RULES:		32A CFR		10-----	6034, 6035
107-----	6155	OCDM (CH. I):		11-----	6034
14 CFR		DMO VII-7-----	5996	15-----	6035
302-----	6122	US/C (CH. VII):		16-----	6034
406-----	6123	T-1-----	5927	49 CFR	
415-----	6123	33 CFR		95-----	6027
507-----	5928, 6074	19-----	5996	176-----	5956
609-----	5928, 5929, 5935, 5940	204-----	6125	190-----	6028
610-----	5991			50 CFR	
1204-----	6124			32-----	5999, 6000, 6083, 6084
				33-----	6084

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FEDERAL REGISTER

VOLUME 26 NUMBER 130

Washington, Saturday, July 8, 1961

Small Business Investment Companies Proposed Regulations

Proposed Rule Making

SMALL BUSINESS ADMINISTRATION

[13 CFR Part 107]

SMALL BUSINESS INVESTMENT COMPANIES

Notice of Proposed Rule Making

Notice is hereby given that pursuant to authority contained in section 308 of the Small Business Investment Act of 1958, Public Law 85-699, 72 Stat. 694, as amended, it is proposed to amend, revise, and recodify Part 107 of Subchapter B, Chapter I, of Title 13 of the Code of Federal Regulations. Prior to the final adoption of this revision and recodification, consideration will be given to any comments or suggestions pertaining to the proposed amendments therein which are submitted in writing, in triplicate, to the Small Business Investment Division, Small Business Administration, Washington 25, D.C., within a period of thirty days of the date of publication of this notice in the FEDERAL REGISTER.

Information. The proposed revision will assemble Part 107 as previously published in the FEDERAL REGISTER together with previously published amendments thereto (23 F.R. 9303, 25 F.R. 1397, 2354, 2516, 3316, 5374, 5478, 5825, 7276, 8068, 8855, 9845, 10087, 10388, 26 F.R. 183, 1854, 2145, and 2247). No comment is invited or required thereon. The proposed revision also changes the structure and numbering used in Part 107.

Sections are redesignated as indicated in the following tabulation:

New	Old
107.11-----	107.102-1
107.12-----	107.103-1
107.101-----	107.201-1
107.102-----	107.201-2
107.103-----	107.201-4
107.104-----	107.301-1
107.105-----	107.301-1a
107.106-----	107.301-2
107.107-----	107.301-3
107.201-----	107.201-3
107.202-----	107.201-5
107.203-----	107.301-5
107.204-----	107.301-6
107.205-----	107.301-7
107.301-----	107.302-1
107.302-----	107.302-2
107.303-----	107.308-1
107.401-----	107.303-1
107.402-----	107.303-2
107.403-----	107.303-3
107.501-----	107.304-1
107.601-----	107.305-1
107.701-----	107.308-12
107.702-----	107.302-3
107.703-----	107.308-6
107.704-----	107.308-7
107.705-----	Previously proposed
107.706-----	Previously proposed
107.707-----	Previously proposed
107.708-----	107.306-1(a)
107.709-----	107.308-2
107.710-----	107.308-3
107.711-----	107.308-8

New	Old
107.712-----	107.201-6
107.713-----	New
107.714-----	107.201-7
107.715-----	107.308-9
107.716-----	New
107.801-----	107.308-4
107.802-----	107.308-5
107.901-----	107.308-10
107.902-----	107.308-11
107.0100-----	107.1000
107.0101-----	107.1001
107.0102-----	107.1002
107.0103-----	107.1004
107.0104-----	107.1007
107.0105-----	107.1008
107.0106-----	107.1009

The proposed revision includes proposed amendments previously published in 25 F.R. 12754 and in 26 F.R. 226 and 851; in the proposed revision these previously published sections, with changes, appear as §§ 107.501 (e), (f), (g), and (h), 107.601 (b), (c), and (d), 107.705, 107.706, 107.707, 107.710(b), and 107.715 (a). Comment is invited on these proposals.

The proposed revision also publishes for the first time proposed amendments to §§ 107.501 (c) (2), (i), (k), and (l), 107.704 (c) (2) and (f), 107.712, 107.713, 107.715(g), and 107.716 as set forth below.

Section 107.501(c) (2) would add to the definition of Equity Securities; § 107.501 (i), (k) and (l) would provide certain expansions and limitations in connection with the providing of Equity Capital; § 107.704(c) (2) would restrict interlocking directors or officers, or the ownership of more than 10 percent of the stock of more than one Licensee; § 107.704(f) would require the filing of SBA Form 525 before a Licensee provided financing or consulting or advisory services to a small business concern; § 107.712 would require identification as a Federal Licensee on any printed matter, including stationery; § 107.713 would prohibit more than one Licensee from occupying the same physical premises; § 107.715(g) would limit financing to a small business concern which is a customer of a vendor which owns or controls the Licensee; § 107.716 would, without the consent of SBA, prohibit a Licensee from purchasing Equity Securities or making a loan to a former officer, director, or owner of 10 percent or more of the stock of a Licensee for a period of six months following the termination of such ownership, directorship, or control.

Comment is invited on these new proposals.

Therefore, it is proposed to amend, revise, and recodify the Small Business Investment Companies Regulation as set forth below.

Dated: July 5, 1961.

JOHN E. HORNE,
Administrator.

Sec.	
107.11	Scope of part.
107.12	Definitions.

Sec.	PROPOSAL
107.101	Information, instructions, and forms.
107.102	Proposal.
107.103	Preliminary approval of corporate instruments and proceedings.
107.104	Charter requirements.
107.105	Waiver of paragraph required by § 107.104.
107.106	Source of charter.
107.107	Organization of a Licensee.

Sec.	LICENSE
107.201	License application.
107.202	Prerequisites for issuance of License.
107.203	Necessity for and nature of License.
107.204	Fees for License and SBA charter.
107.205	Surrender of License or SBA charter.

Sec.	CAPITAL REQUIREMENTS
107.301	Initial capital and surplus of Licensee.
107.302	Consideration for stock of Licensee.
107.303	Maintenance of unimpaired capital.

Sec.	BORROWING BY SBIC
107.401	Conditions and limitations upon borrowing power of Licensee.
107.402	SBA operating loans to Licensees.
107.403	Purpose and loan requirements.

Sec.	EQUITY CAPITAL
107.501	Equity capital for incorporated small-business concerns.

Sec.	LONG-TERM LOANS
107.601	Long-term loans by Licensee to small-business concerns.

Sec.	GENERAL PROVISIONS
107.701	Amendments to Act and regulations.
107.702	Applicability of other laws, including disclosure to investors and stockholders.
107.703	Government liability.
107.704	Activities of Licensee.
107.705	Consulting and advisory services.
107.706	Subsidiary corporation for consulting and advisory services.
107.707	Services to banks or other financial institutions.
107.708	Aggregate limitation on investments and loans.
107.709	Conditions governing disbursement of SBA funds.
107.710	Idle operating funds.
107.711	Insurance.
107.712	Identification of Licensee.
107.713	Common tenancy.
107.714	Branch offices and agencies.
107.715	Prohibited uses.
107.716	Self-dealing limitation.

Sec.	EXAMINATIONS AND REPORTS
107.801	Examinations.
107.802	Reports.

Sec.	COMPLIANCE AND ENFORCEMENT
107.901	Enjoiner of violations.
107.902	Forfeiture of License.

Sec.	INTERPRETATIONS
107.0100	Capital structure of Licensees (interpreting section 302 of the Act).
107.0101	Repayment of subordinated debentures (interpreting section 302 (a) of the Act).

- Sec.
107.0102 Participation by SBA with a Licensee under section 7(a) of the Small Business Act in an SBIC loan (interpreting sections 302 and 303 of the Act).
107.0103 Aid for agriculture (interpreting section 304 and 305 of the Act).
107.0104 Short-term loans by a Licensee (interpreting § 107.601(d)).
107.0105 Eligible investments for idle operating funds of SBIC's (interpreting § 107.710).
107.0106 Employment of funds provided small business concerns by Licensees (interpreting § 107.715 (a)).

AUTHORITY: §§ 107.11 to 107.0106 issued under sec. 308, Pub. Law 85-699, 72 Stat. 694; 15 U.S.C. 687.

§ 107.11 Scope of part.

(a) The Small Business Investment Act of 1958 became law August 21, 1958. Such Act has been amended by the Small Business Investment Act Amendments of 1960, which became effective June 11, 1960.

(b) The purpose of the act is to improve and stimulate the national economy in general and the small business segment thereof in particular.

(c) This purpose is to be accomplished by the establishment of a program designed to stimulate and supplement the flow of private equity capital and long-term loan funds necessary for the sound financing of the business operations of small-business concerns and for their growth, expansion and modernization.

(d) Under the program:

(1) SBA will select and approve (license) private corporations (chartered under State law to conduct the activities described in subparagraph (2) of this paragraph) which shall thereupon become eligible for (i) financial assistance from SBA under the act, (ii) discretionary exemptions under the Securities Act of 1933 and the Trust Indenture Act of 1939, as well as a specified exemption under the Investment Company Act of 1940, (iii) such further benefits and privileges as may ever be provided by Federal or State laws for corporations licensed by SBA under the act, and (iv) tax benefits specified under the Technical Amendments Act of 1958. The stockholders of such corporations are eligible also for tax benefits specified under the Technical Amendments Act of 1958.

References:

1. Securities Act of 1933, 15 U.S.C.A. secs. 77a-77aa.
2. Trust Indenture Act of 1939, 15 U.S.C.A. secs. 77aaa-77bbbb.
3. Investment Company Act of 1940, 15 U.S.C.A. secs. 80a-1-80a-52.
4. Securities and Exchange Commission Regulations issued pursuant to the above Acts relating to small business investment companies.
5. Section 57, Technical Amendments Act of 1958, Public Law 85-866.
6. Personal Holding Company Tax Section 541, Internal Revenue Code of 1954, 26 U.S.C.A. secs. 541-547.
7. Sections 1.541-1-1.547-7 of the Income Tax Regulations of the Treasury Department (26 CFR 1.541-1 to 1.547-7) as amended.
8. State incorporation laws.
9. Bank Holding Company Act of 1956, 12 U.S.C.A. secs. 1841-1848.

10. Regulations of the Federal Reserve Board under Bank Holding Company Act, 12 CFR 222.1-222.108, and in particular, Regulation 222.107.

(2) Private corporations will be chartered under state law for the specific purpose of providing funds to small business concerns (as defined by SBA) through the purchase of Equity Securities as defined § 107.501 of such concerns and through the disbursement of long-term loans to such concerns. Such corporations will be authorized to provide consulting and advisory services to small business concerns on a fee basis for such services actually rendered. All of said activities will be subject to regulations prescribed by SBA. The corporations will be examined by SBA and will make reports as and when required by SBA.

(e) The program will be administered in such a manner as to insure the maximum participation of private financing sources.

(f) Any financial assistance provided under the act cannot result in a substantial increase of unemployment in any area of the country.

(g) The program will be administered by SBA through its Small Business Investment Division.

(h) The provisions of section 16 of the Small Business Act are extended specifically to the functions under the Small Business Investment Act of 1958. That section requires that whoever makes a statement knowing it to be false, or willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of SBA, or for the purpose of obtaining money, property, or anything of value, shall be punished by fine or imprisonment or both.

§ 107.12 Definitions.

Act. "Act" means the Small Business Investment Act of 1958, as amended by the Small Business Investment Act Amendments of 1960.

Administrator. "Administrator" means the Administrator of SBA.

License. "License" means the grant (evidenced by a certificate issued to the Licensee and registered in the Washington office of SBA) by SBA to a Proposed Operator, in consideration of the representations and offers contained in the License Application, of authority to conduct its business, in the territory described in the License, in accordance with and subject to the provisions and purpose of the act and regulations of SBA prescribed thereunder; and includes the privilege of receiving financial assistance under the act and qualifies such Licensee and its stockholders for any and all other rights, privileges and benefits available to a Licensee and its stockholders under the provisions of the act or any other Federal or State laws.

License Application. "License Application" means the request to SBA for a License, by the Proposed Operator, executed and submitted on SBA Form No.

415, which shall incorporate by reference the Proposal as a part of said request.

Licensee. "Licensee" means a corporation which: Is enfranchised and chartered under State law, or by SBA under section 301(c) of the act, to conduct (in accordance with and subject to the provisions and purpose of the act and in accordance with and subject to regulations prescribed by SBA under the act) in the territory in which its operations are to be carried on, only the activities described under Title III of the act; has executed and submitted a License Application; and, has been granted a License.

Operating territory or area. "Operating territory," "area in which operations are to be carried on," "areas in which Licensee operates," and similar terms, mean the territorial area or areas in which a Licensee is authorized by the terms of its License to purchase Equity Securities as defined in § 107.501 from, to make loans to, and to provide consulting and advisory services to any small business concern (regardless of the residence, domicile, place of business, or location of the property of such small business concern) so long as such purchase, loan or service does not constitute or involve doing business in any State not included in said territorial area or areas so as to require the Licensee to register or otherwise comply with the laws of such State as a foreign corporation.

Proponents. "Proponents" means individuals or other entities which execute and submit a Proposal.

Proposal. "Proposal" means the information and representations contained in SBA Form No. 414, submitted by Proponents with the request that SBA consider the same and issue an approval for the Proponents to proceed with all action (including the incorporation or conversion of the Proposed Operator) necessary to qualify the Proposed Operator for execution and submission of a License Application. A Proposal is in effect a preliminary License Application (see definition of "License Application").

Proposed Operator. "Proposed Operator" means the company identified and described in a particular Proposal and recommended therein as a prospective Licensee.

SBA. "SBA" means the Small Business Administration.

SBID. "SBID" means the Small Business Investment Division of SBA.

Small business concern. A small business concern for the purpose of receiving financial or other assistance from small business investment companies is a concern which:

(a) Together with its affiliates, is independently owned and operated, is not dominant in its field of operation, does not have assets exceeding \$5,000,000, does not have net worth in excess of \$2,500,000, and does not have an average net income, after Federal income taxes, for the preceding two years in excess of \$250,000 (average net income to be computed without benefit of any carry-over loss); or

(b) Qualifies as a small business concern under § 121.3-10 of this chapter.

PROPOSAL

§ 107.101 Information, instructions and forms.

Detailed printed information, instructions and SBID Forms covering the procedure and basic requirements in the grant of a License, may be obtained from SBID through the Washington or any Regional or Field Office of SBA.

§ 107.102 Proposal.

(a) A Proposal shall be submitted on SBA Form No. 414¹ to SBID through a Regional Office of SBA.

(b) Such proposal shall include such further matters, in addition to those matters required by SBA Form 414, as SBA may require by regulation or otherwise or which may be submitted by the Proponents as part of the Proposal.

(c) In considering whether to issue a License to a Proposed Operator, due regard will be given, among other things, to the need for financing of small business concerns of the type intended to be assisted by the Proposed Operator, provided the License shall not grant to the Licensee any exclusive right in any area or areas set forth therein.

(d) Counsel for the Proponents or Proposed Operator shall submit as a part of the Proposal his opinion that, among other things, the Proposed Operator is or can be chartered under State law to conduct (in the territory in which its operations are to be carried on) only the activities described under Title III of the act, in accordance with and subject to the provisions and purpose of the act and in accordance with and subject to regulations prescribed by SBA under the act.

(e) Immediately upon receipt by SBID of each Proposal, SBID shall register, assign an identification number thereto, and acknowledge receipt of the same.

(f) The submission of a Proposal shall constitute an authority to SBA to proceed with the consideration thereof and to conduct without liability to SBA or anyone acting for or on behalf of SBA, any investigations and inquiries with respect to any or all matters, individuals or other entities referred to in the Proposal, as may be determined by SBA.

(g) After consideration of a Proposal SBA shall notify the Proponents, either:

(1) That the Proponents may proceed with all action necessary to qualify the Proposed Operator for execution and submission of a License Application; which action shall be completed and a License Application submitted by the Proposed Operator within 90 days from

the date of said notice from SBA, unless such period is extended by SBA; and SBA shall be committed by said approval to issue a license if the terms and conditions of the approved proposal are completed; or

(2) That such Proposal is insufficient.

(i) If, in the opinion of SBA, the sufficiency of such Proposal cannot be established through further information or action, SBA shall close the same and so notify the Proponents.

(ii) If, in the opinion of SBA, the sufficiency of such Proposal may be established through further information or action, SBA shall simultaneously with such notice allot a period of time within which the Proponents may endeavor to establish the sufficiency of such Proposal and resubmit the same.

(iii) A resubmitted Proposal which is again determined by SBA to be insufficient or a rejected Proposal which is not resubmitted within any such allotted period, shall be closed permanently by SBA and the Proponents so notified.

§ 107.103 Preliminary approval of corporate instruments and proceedings.

Unless and until SBA gives written notice to the Proponents that it does not object to the instruments and proceedings contemplated for use in the organization or qualification of the Proposed Operator as a Licensee, said Proponents should not take any final action to conclude any such organization and qualification.

§ 107.104 Charter requirements.

The charter of a Licensee shall constitute a grant of being or continued existence as a corporate entity, by a State, in the form of a permit or certificate of incorporation or amendment or otherwise, with the specific and sole powers and authority recited below. Such powers and authority can be expressed and granted in any manner consistent with the laws of such State and requirements of the State officials charged with such responsibilities, provided that each such charter shall contain the following provision:

This corporation is organized and chartered expressly for the purpose of operating under the Small Business Investment Act of 1958, as amended by the Small Business Investment Act Amendments of 1960, and will operate in the manner and shall have the powers, responsibilities and be subject to the limitations provided by said act and the regulations issued by the Small Business Administration thereunder.

Said powers and authority shall be as follows:

(a) To act under a particular name;
(b) To issue a maximum number of shares of one or more types of its stock;
(c) To borrow money and issue its debenture bonds, promissory notes, or other obligations under such general conditions and subject to such limitations and regulations as SBA may prescribe;

(d) To provide equity capital to small-business concerns (as defined by SBA) under the conditions authorized by section 304 of the act and regulations, with the right to sell or dispose of securities so acquired in such manner and under

such terms and conditions as the Licensee shall determine.

(e) To make long-term loans (as defined by SBA) to small-business concerns (as defined by SBA) for the purposes and in the manner and subject to the conditions described in section 305 of the act; with the right to sell or dispose of such loans in such manner and under such terms and conditions as the Licensee shall determine;

(f) To acquire and make commitments for obligations and securities of a single enterprise only within the limitations established by section 306 of the act, unless such limitations are waived by SBA;

(g) To undertake its operations in co-operation with banks or other financial institutions, as contemplated under section 308(a) of the act;

(h) To provide consulting and advisory services to small business concerns on a fee basis;

(i) To invest funds not reasonably needed for its current operations only in direct obligations of, or obligations guaranteed as to principal and interest by, the United States Government;

(j) To conduct its operations in accordance with and subject to regulations prescribed by SBA;

(k) To submit to and pay for examinations made by direction of SBA by examiners selected, employed or approved by SBA;

(l) To make reports to SBA at such times and in such form as SBA may require;

(m) To conduct its operations in a specified area or areas, without limitation, however, as to the residence, domicile, or place of business of parties with which it transacts its business or otherwise deals;

(n) To regulate its business and conduct its affairs in a manner not inconsistent with the act and regulations prescribed by SBA thereunder;

(o) To adopt and use a corporate seal;

(p) To have succession for a period of at least thirty years, subject to dissolution in accordance with State law; and subject to forfeiture of its License for violation of law or of regulation issued under the act;

(q) To make contracts;

(r) To sue and be sued, complain, and defend in any court of law or equity;

(s) By its board of directors, to appoint such officers and employees as may be deemed proper, define their authority and duties, fix their compensation, require bonds of such of them as it deems advisable and fix the penalty thereof, dismiss such officers or employees, or any thereof, at pleasure, and appoint others to fill their places;

(t) To adopt bylaws regulating the manner in which its stock shall be transferred, its officers and employees appointed, its property transferred, and the privileges granted to it by law exercised and enjoyed;

(u) To maintain a principal office (which shall be designated in its Articles) and to establish branch offices or agencies within its operating territory, subject to the approval of SBA: *Provided, however, That, whether to obtain a grant of power and authority from the*

¹ Filed with the Federal Register Office as part of the original document. Copies of SBA Form 414, Proposal To Operate a Small Business Investment Company, together with instructions, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

State to establish branch offices or agencies shall be optional with the incorporators;

(v) To acquire, hold, operate, and dispose of any property (real, personal, or mixed) whenever necessary or appropriate to the carrying out of its lawful functions;

(w) To exercise such incidental powers as may reasonably be necessary to carry out the business for which the corporation is established.

§ 107.105 Waiver of paragraph required by § 107.104.

In the event SBA, for cause satisfactory to SBA, waives the inclusion in a Licensee's State charter of that portion of the general provision (set forth in the second sentence of § 107.104) which identifies the manner of operation, powers, responsibilities, and limitations of the Licensee by specific reference to the Act and regulations issued thereunder: The charter of such a Licensee, in lieu of such identification by reference, shall set forth specifically and in detail the manner of operation, powers, responsibilities, and limitations of the Licensee which are required of a Licensee as specified in and contemplated by the Act and regulations and to the extent and in a manner satisfactory to SBA. Further, any such Licensee shall, from time to time, amend its charter in order to conform its charter purpose, manner of operation, powers, responsibilities, and limitations with those contained in and contemplated by the Act and the regulations issued by SBA thereunder from time to time.

§ 107.106 Source of charter.

(a) The charter of a Licensee shall be obtained from the State in which the Licensee operates or if the Licensee operates in more than one State said charter shall be obtained from any State within the entire area or areas in which the Licensee operates.

(b) A Licensee conducting operations beyond the jurisdiction of the State from which it receives its charter, shall obtain authority or otherwise be entitled to conduct its activities in such other State or States in accordance with the provisions of its charter, the act and regulations prescribed thereunder.

§ 107.107 Organization of a Licensee.

A Proposed Operator shall conform to the laws of the State of its incorporation with respect to the number and qualification of incorporators and directors.

LICENSE

§ 107.201 License Application.

(a) A License Application may be submitted upon SBA Form No. 415² by the

² Filed with the Federal Register Office as part of the original document. Copies of SBA Form 415, License Application, together with instructions, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

Proposed Operator only after issuance by SBA of the notice referred to under § 107.102(g) (1) and in accordance with instructions contained in such notice. Such License Application shall be submitted within 90 days after issuance of said notice.

(b) After submission of a License Application SBA will issue a License to the Proposed Operator if the representations, terms and conditions of the Proposal and any additional matters set forth in the notification by SBA to proceed are fully and exactly complied with.

§ 107.202 Prerequisites for issuance of License.

Prior to the issuance of a License, each Proposed Operator shall have:

(a) Executed and submitted a License Application.

(b) Received a Corporate Charter or franchise under State laws to operate as a Licensee.

(c) Submitted evidence satisfactory to SBA that it has a paid-in capital and surplus equal to at least \$300,000 in cash (exclusive of organizational expenses) on hand or in escrow contingent solely on the issuance of a License, as required by section 302(a) of the act (including any commitment of SBA as described under § 107.301).

§ 107.203 Necessity for and nature of License.

Only upon issuance of SBA of a License to a Proposed Operator, shall such corporation be authorized to operate under the act. A License is not transferable in any manner.

§ 107.204 Fees for License and SBA charter.

A License fee of \$100 shall be tendered to SBA by a Licensee, simultaneously with the filing of SBA Form 415.

§ 107.205 Surrender of License.

A Licensee may apply to SBA for surrender of its License. Such surrender may be authorized under such conditions as may be required by SBA in connection therewith.

CAPITAL REQUIREMENTS

§ 107.301 Initial capital and surplus of Licensee.

(a) As a condition to the issuance of a License, the Proposed Operator shall have a paid-in capital and surplus, in cash, as required under § 107.202(c).

(b) The management of a Licensee shall encourage the maximum investment therein of private funds.

(c) To the extent that cash funds are not available to a Licensee from private sources to provide any amount of said initial minimum capital and surplus in excess of \$150,000, SBA, upon request contained in the License Application, may purchase or agree to purchase debentures of such Licensee in an amount equal to such deficiency but not in excess of \$150,000. Any such debentures (which may be prepaid by Licensee without penalty) so purchased by SBA under the provisions of section 302(a) of the act shall be subordinate to any other debenture bonds, promissory notes, or other obligations which

may be issued by such Licensee as determined by SBA, and while treated and accounted for as a debt transaction, shall be deemed a part of the paid-in capital and surplus of such Licensee for the statutory purposes of sections 302 (a), 303(b), and 306 of the act.

(d) The unavailability of such cash funds from private sources shall be deemed to exist upon submission by the Proposed Operator of a certificate that such funds are not available for the subject venture.

(e) Any such subordinated debentures of a Licensee purchased under section 302(a) of the act shall contain such terms and conditions, including provisions with respect to subordination, as shall be determined by SBA. Interest upon the amount of such debentures shall be at the rate of 5 percent per annum, and amortization shall commence at the beginning of the second half of the term thereof. Maturities shall not exceed twenty years.

(f) The agreement of SBA to purchase any such subordinated debentures of a Licensee to provide funds to satisfy the initial minimum capital and surplus requirements of a Licensee, under and in accordance with the provisions of section 302(a) of the act, shall constitute the equivalent of cash in an amount equal to the amount of such SBA commitment, which amount shall thereupon be deemed to be paid in as a part of the initial minimum capital and surplus of such Licensee for the statutory purposes of sections 302(a), 303(b) and 306 of the act. A commitment charge at the rate of one-twelfth of one percent of the principal amount of the commitment outstanding for each thirty-day period shall be paid to SBA by such Licensee beginning with the first day after the first thirty days following such commitment. Disbursement of such commitment shall be requested by the Licensee at any time prior to the end of one year but such commitment shall be reduced to the extent private equity funds are acquired for such purpose prior to any disbursement by SBA on account of such commitment.

(g) The proceeds derived from the sale of any such subordinated debentures of a Licensee under section 302(a) of the Act may be used to provide equity capital and make long-term loans to small business concerns: *Provided, however*, That Licensee cannot use such proceeds for investments and loans involving enterprises which derive a substantial portion of their gross income from the sale of alcoholic beverages and accordingly within 30 days after the disbursement of any funds to Licensee under authority of section 302(a) of the Act, and thereafter during period in which any such subordinated debentures remain unpaid, the Licensee shall maintain assets consisting of cash, eligible Government obligations, and portfolio investments and loans involving enterprises which do not derive a substantial portion of their gross income from the sale of alcoholic beverages (exclusive of all investments and loans already in the Licensee's portfolio at the time that the proceeds of such subordinated debentures were dis-

bursed), equal in face value to no less than the unpaid principal of such subordinated debentures.

§ 107.302 Consideration for stock of Licensee.

(a) Shares of stock at any class in a Licensee which represent the initial minimum capital required by § 107.202(a) shall be issued by Licensee only in consideration for the simultaneous payment of cash or upon the simultaneous transfer to the Licensee of direct obligations of, or obligations guaranteed as to principal and interest by, the United States. Shares of stock of any class in a Licensee which represent no part of the initial minimum capital required by § 107.202(a) may be issued in consideration for the simultaneous payment of cash; upon the simultaneous transfer to the Licensee of direct obligations of, or obligations guaranteed as to principal and interest by, the United States; as stock dividends; in connection with the reclassification of the stock of the Licensee; for services previously rendered to the Licensee; or for physical assets to be employed currently in the operation of the Licensee.

(b) Options upon the stock of a Licensee may be granted to an individual only upon approval of at least a majority of such Licensee's stockholders and only in lieu of salary or in payment for services actually rendered such Licensee, and only if:

(1) At the time such option is granted the option price is at least 85 percent of the fair market value at such time of the stock subject to the option;

(2) Such option by its terms is not transferable by such individual otherwise than by will or the laws of descent and distribution, and is exercisable, during his lifetime, only by him;

(3) Such individual, at the time the option is granted, does not own stock possessing more than 10 percent of the total combined voting power of all classes of stock of such Licensee. This subparagraph shall not apply if at the time such option is granted the option price is at least 110 percent of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted. For purposes of this subparagraph—

(i) Such individual shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants; and

(ii) Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust, shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries; and

(4) Such option by its terms is not exercisable after the expiration of ten years from the date such option is granted.

§ 107.303 Maintenance of unimpaired capital.

(a) Each Licensee shall maintain at all times an unimpaired capital.

(b) An impairment shall be deemed to exist when the retained earnings deficit exceeds fifty percent (50%) of the combined fully paid capital stock issued and outstanding and paid-in surplus. For the purpose of this determination, subordinated debentures issued to SBA pursuant to section 302(a) of the Act will not be considered a part of the capital and surplus.

BORROWING BY SBIC

§ 107.401 Conditions and limitations upon borrowing power of Licensee.

(a) Without the prior consent of SBA, the ratio of the total amount of outstanding indebtedness of a Licensee to the paid-in capital and paid-in surplus (including the unpaid balance due SBA under any debentures acquired under section 302(a) of the act) of such Licensee shall not exceed four to one.

(b) The Proposal shall set forth in detail the policy, plans, and all other information with respect to prospective borrowings, if any, to be made by a Proposed Operator as a Licensee from any source other than SBA.

§ 107.402 SBA operating loans to Licensees under section 303 of the Act.

(a) To the extent that a Licensee is unable to borrow or otherwise secure operating funds from private sources, SBA may lend or agree to lend to such Licensee funds for such purpose up to a total amount outstanding at any one time not in excess of fifty percent of the paid-in capital and surplus of such Licensee, including as a part of such capital and surplus any outstanding balance due SBA under subordinated debentures purchased by SBA under the provisions of section 302(a) of the act.

(b) The unavailability of such funds from private sources shall be deemed to exist upon submission to SBA by the Licensee of a certificate that the same are not available for such purpose.

(c) Such loans may be prepaid at any time without penalty. Interest upon such loans shall be at the rate of five percent per annum and the maturities thereof shall not exceed twenty years: *Provided, however*, That SBA in its discretion, may renew or extend the maturity thereof. In the absence of an amortization plan by the borrower satisfactory to SBA, said loans shall begin amortization during the final half of the term thereof; for example, if the maturity of such loan is ten years, then amortization shall begin in the sixth year of such loan at an amortization rate of not less than twenty percent per annum. Any such loan or loans made by SBA under the authority of section 303(b) of the act shall contain such further terms and conditions as shall be determined by SBA.

§ 107.403 Purpose and loan requirements.

(a) The management of a Licensee should plan to use loan funds available under section 303(b) as a source of funds which may be obtained, repaid and obtained again as needed to protect its interest in its investments and loans until paid-in capital is available from private

sources, thus obviating the necessity which would otherwise exist of maintaining substantial amounts of uninvested cash for such purposes. Loans under this section may be obtained by a Licensee in furtherance of its stated investment and loan policy. Disbursement of any such loans will be subject to the execution and delivery of the certificate required by § 107.709.

(b) The proceeds of any loan obtained by Licensee under the provisions of section 303(b) of the Act shall be used to provide equity capital and make long-term loans to small business concerns: *Provided, however*, That Licensee cannot use such proceeds for investments and loans involving enterprises which derive a substantial portion of their gross income from the sale of alcoholic beverages and accordingly within 30 days after the disbursement of any loan funds to Licensee under authority of section 303(b) of the Act, and thereafter during period in which any such loan, or any part thereof remains unpaid, the Licensee shall maintain assets consisting of cash, eligible Government obligations, and portfolio investments and loans involving enterprises which do not derive a substantial portion of their gross income from the sale of alcoholic beverages (exclusive of all investments and loans already in the Licensee's portfolio at the time that the proceeds of such loans were disbursed), equal in face value to no less than the unpaid principal of such loan.

EQUITY CAPITAL

§ 107.501 Equity capital for incorporated small business concerns.

(a) Each Licensee shall constitute a source of Equity Capital for incorporated small business concerns; which capital shall be supplied in a manner and under terms consistent with regulations of the Administration.

(b) "Equity Capital" means funds received by an incorporated small business concern from a Licensee as the consideration for the issuance of Equity Securities by such concern to such Licensee.

(c) "Equity Securities" means:

(1) Certificates of stock of any class; *Provided, however*, That whenever any such stock contains a right to convert to another class of stock or contains rights or privileges therein in the nature of stock warrants or options, no further stock purchase warrants, options or conversion rights shall be issued in connection therewith; and

(2) Instruments which evidence a debt and which provide a right or privilege to convert all or any portion of the debt instruments into stock of the small business concern, or provide nondetachable or detachable stock purchase warrants or options, or provide both a right or privilege to convert all or any part of the debt instruments into stock and also detachable stock purchase warrants or options: *Provided, however*, That no further stock purchase warrants, options or conversion rights shall be issued in connection therewith.

(d) Equity Securities which evidence a debt may be secured by collateral.

(e) A Licensee shall not purchase or acquire any type of Equity Securities if the purpose of such purchase or acquisition is to furnish the small business concern with financing for a period of less than five years' duration. Equity Securities shall not require repayments during the first five years at a rate exceeding twenty percent of principal per annum.

(f) Equity Securities which evidence a debt shall have stated maturities of not less than five years and must be callable but on such terms as may be negotiated at the time of issuance of such Equity Securities, in whole or in part, by the issuer: *Provided*, That any right to convert the debt may be exercised prior to the effective date of such call. Such securities shall be acquired by a Licensee simultaneously with the disbursement of Equity Capital and shall evidence the total principal amount, plus interest rate, required to be paid by the small business concern in consideration for the amount of Equity Capital disbursed. Such disbursement may be evidenced by an instrument or instruments in such form and substance as may be negotiated between the Licensee and said concern consistent with the Act and regulations thereunder, provided that the maturity or maturities set forth in such instrument or instruments shall not require repayment of the total principal amount evidenced by such instrument or instruments during the first five years at a rate in excess of twenty percent of the total principal thereof per annum. Whenever more than one instrument is employed, each instrument shall state on the face thereof the maturity date of the particular instrument and make reference to the maturity date(s) of the other instrument(s) constituting the disbursement.

(g) Any redemption provisions of certificates of stock shall be on such terms as may be negotiated at the time of issuance thereof, provided the redemption provisions are exercisable, in whole or in part, upon three months' notice, and provided further that any such stock which contains conversion rights may be converted prior to the effective date of such redemption.

(h) Equity Securities with maturities of less than five years may be purchased or acquired by a Licensee when necessary to protect the interests of the Licensee in previously issued long-term Equity Securities provided that the identical conditions and privileges covering the long-term Equity Securities shall otherwise apply thereto. Equity Securities with maturities of less than five years' duration will not be construed "to protect the interests of the Licensee in previously issued Equity Securities" if the purpose of such short-term Equity Securities is to take care of routine short-term requirements of the small business concern.

(i) Equity Securities which are converted into stock shall be converted at a price or series of prices per share not less than the sound book value of such stock as determined at the time of the issuance of said securities: *Provided, however*, That the total purchase price of such stock which may be purchased at said

price or series of prices per share shall not exceed the amount of Equity Capital provided by said securities plus the accrual of earned interest and charges on said Equity Capital to the date of conversion of said securities. "Sound book value," for the purposes hereof, shall be determined through consideration of all pertinent factors including the actual value of the assets of the small business concern and the relationship of the earnings of such concern to its invested capital.

(j) Stock purchase warrants or options issued in connection with Equity Securities shall expire not later than two years after the stated maturity date of such Equity Securities but in no event more than ten years from the date of the issuance of such Equity Securities.

(k) The purchase price per share of shares available under warrants or options acquired in connection with the purchase of Equity Securities shall be at no less than the sound book value of such shares, as defined herein, at the time the warrant or option is issued, and the total cost of such shares shall not exceed the total amount of Equity Capital provided by the Licensee at the same time as the warrant or option was issued, except as the warrant or option may provide for successive increases in the price per share of option shares.

(l) The purchase price per share of shares available under Certificates of Stock acquired as Equity Securities shall be at no less than the sound book value of such shares, as defined herein, at the time the Certificates of Stock are issued.

(m) Wherever Equity Securities involve debt, any Licensee may require small business concerns to refinance any or all of its outstanding indebtedness so that the Licensee is the only holder of any indebtedness of such concern.

(n) Wherever Equity Securities involve debt, any Licensee may require a small business concern to agree not to incur any additional indebtedness without first securing the approval of the Licensee and giving the Licensee the first opportunity to finance such additional indebtedness; *Provided, however*, That the Licensee shall allow appropriate exceptions for open account or other short-term credit.

(o) Whenever a Licensee purchases or acquires Equity Securities of a small business concern, such concern shall have the right, exercisable in whole or in such part as such concern may elect, at the time of the issuance of such Equity Securities, to become a stockholder-proprietor by investing in the capital stock of the Licensee in an amount not more than five per centum of the Equity Securities purchased or acquired by the Licensee. The price of such stock sold by the Licensee to the small business concern under this section shall not be more than the higher of (1) the book value determined in conformity with generally accepted accounting principles, or (2) the fair market value. Factors which may be taken into consideration in determining fair market value may include, among others, market quotations, recent public or private sales, and the liquidating value,

earnings, and dividend record of the Licensee's stock.

(p) The maximum annual cost to the issuer of Equity Securities evidencing a debt charged by any Licensee for average outstanding unpaid net funds advanced shall not exceed the lesser of (1) such maximum annual cost to issuer as may be prescribed by applicable State or local law, or (2) such maximum annual cost to issuer as may be specified in the Licensee's Proposal and License Application. Cost to issuer includes all interest and discount, as well as all fees, commissions, charges, etc., against the issuer by the Licensee at the time the equity securities evidencing a debt are purchased, and such fees, charges, etc., shall be treated as additional discount for this purpose.

LONG-TERM LOANS

§ 107.601 Long-term loans by Licensee to small-business concerns.

(a) Each Licensee shall constitute also a source of funds for long-term loans for the sound financing of the operations, expansion and modernization of small-business concerns. Such loans shall not provide any right in a Licensee to acquire any stock or other proprietary interest in the borrower, except through the medium of collateral security.

(b) A Licensee shall not make any such loan if the purpose of such loan is to furnish the small business concern with financing for a period of less than five years' duration. Any such loan shall not require repayments during the first five years at a rate exceeding twenty percent of principal per annum.

(c) Any such loan shall have a stated maturity of not less than five years and all or any part of any such loan may be anticipated by the borrower on any interest payment date upon such terms as may be negotiated at the time of disbursement of the loan. The instrument or instruments evidencing any such loan shall be acquired by a Licensee simultaneously with the disbursement of the loan funds and shall evidence the total principal amount, plus interest rate, required to be paid by the small business concern, in consideration for the amount of loan funds disbursed. Such disbursement may be evidenced by an instrument or instruments in such form and substance as may be negotiated between the Licensee and said concern consistent with the Act and regulations thereunder, provided that the maturity or maturities set forth in such instrument or instruments shall not require repayment of the total principal amount evidenced by such instrument or instruments during the first five years at a rate in excess of twenty percent of the total principal thereof per annum. Whenever more than one instrument is employed, each instrument shall state on the face thereof the maturity date of the particular instrument and make reference to the maturity date(s) of the other instrument(s) constituting the disbursement.

(d) Loans with maturities of less than five years may be made by a Licensee to a borrower when necessary to protect the interests of the Licensee in previously

issued long-term loans or Equity Securities. Loans with maturities of less than five years' duration will not be construed "to protect the interests of the Licensee" if the purpose of such short-term loan is to take care of routine short-term requirements of the small business concern.

(e) Any such loan shall have a maturity of not exceeding twenty years; and such loans shall be of such sound value, or so secured, as reasonably to assure repayment. The Licensee may extend the maturity of or renew any such loan for additional periods, not exceeding ten years, if the Licensee finds that such extension or renewal will aid in the orderly liquidation of such loan.

(f) The maximum annual cost to the borrower charged by any Licensee for average outstanding unpaid net funds advanced shall not exceed the lesser of (1) such maximum annual cost to borrower as may be prescribed by applicable State or local law, (2) such maximum annual cost to borrower as may be specified in the Licensee's Proposal and License Application. Cost to borrower includes all interest and discount, as well as all fees, commissions, charges, etc., against the borrower by the Licensee at the time the loan is granted or debt securities purchased, and such fees, charges, etc., shall be treated as additional discount for this purpose.

(g) All loans shall be based upon negotiations between Licensees and small-business concerns.

GENERAL PROVISIONS

§ 107.701 Amendments to Act and regulations.

A Licensee shall be subject to all existing and future provisions of the act and regulations issued thereunder.

§ 107.702 Applicability of other laws, including disclosure to investors and stockholders.

Each Licensee shall comply with all applicable State or Federal law affecting its operation, including, but not limited to, any and all State or Federal law requiring Licensee to furnish its investors and shareholders with financial reports containing full and complete disclosure of all matters significant to their interests.

§ 107.703 Government liability.

(a) Nothing in the act or in any regulations issued thereunder or in any other provision of law shall be deemed to impose any obligation or liability on the United States Government or any agency thereof, including SBA, with respect to any obligations entered into, or stocks issued, or commitments made, by any Licensee, or with respect to any other matter involving a Licensee.

(b) No Licensee, in issuing or selling any security shall represent or imply in any manner whatsoever that such security has been guaranteed, sponsored, recommended, or approved by the United States or any agency or officer thereof, and a statement to such effect shall be included in any solicitations to investors.

§ 107.704 Activities of Licensee.

(a) A Licensee shall engage in and conduct only the activities set forth in and contemplated under the act and shall not engage in or conduct any other activities.

(b) A Licensee shall not amend its franchise authority to permit the conduct of any activities other than as recited above.

(c) (1) A Licensee shall not voluntarily at any time reduce or increase its paid-in capital and paid-in surplus without the prior written consent of SBA, and a Licensee shall not change its investment policy, plans to raise additional capital, borrowing or other plans, previously submitted to SBA in its Proposal or in any other document at any other time, without the prior written consent of SBA. Any change in the officers, directors, or owners of ten or more percent of its stock, as set forth in its proposal or otherwise previously submitted to SBA, shall be reported immediately to SBA. Such changes shall be filed in the form of a post licensing amendment and subject to the approval of SBA as a condition for the continuance of the License of such Licensee. Any conditions imposed by SBA in connection with the latter shall be complied with by the Licensee.

(2) Without the prior written consent of SBA, a Licensee shall not have an officer or a director who at the same time is either an officer or director in any other Licensee, nor shall ten or more percent of the stock of any Licensee be owned or controlled, directly or indirectly, by any person owning or controlling, directly or indirectly, ten or more percent of the stock of any other Licensee: *Provided, however,* That an attorney performing legal services for Licensees may serve as a director, secretary or clerk for more than one Licensee.

(d) Every Licensee which obtains investment advisory services or management services on a continuing basis, performed for, or supplied to such Licensee by any person or other entity other than the directors, officers or employees in their capacities as such shall contract in writing for such services and such written contract shall specifically:

- (1) Describe such services;
- (2) Describe all compensation to be paid thereunder;
- (3) State the duration of the contract;
- (4) Provide for its termination by the Licensee, without penalty, on not more than 60 days' written notice;

(5) Provide for its automatic termination in the event of its assignment by the person performing the service;

(6) Provide for full disclosure to all interested parties whenever the person performing such services performs services for small business concerns doing business with the Licensee;

(7) Be approved by a vote of a majority of the outstanding voting securities of the Licensee prior to such contract becoming effective; and

(8) Be approved annually by a vote of a majority of the outstanding voting securities of the Licensee or by the vote of a majority of its Board of Directors, including the approval vote of a majority

of those members of the Board of Directors who are not parties to, or do not have a pecuniary interest, direct or indirect, in such contract.

Every Licensee shall furnish SBA, for informational and record purposes, with a copy of each contract to which the foregoing applies, on or before the effective date thereof. Contracts for appraisal, custodial, collection, bookkeeping, accounting and legal services shall not be considered advisory or management services for purposes of this part.

(e) No financing or consulting or advisory services may be provided by a Licensee to a business concern unless the Licensee and such concern have executed SBA Form 480,³ Size Status Declaration, and, based upon the information contained therein and otherwise, the Licensee has determined that the business concern is a small business within the meaning of the definition of "small business concern" set forth in § 107.12, or at the request of the Licensee or the concern, SBA has determined that the subject business concern is a small business concern within the meaning of § 107.12. In the event financing or services are approved by a Licensee for a small business concern, the Licensee shall retain the completed SBA Form 480, as a permanent part of the concern's record with the Licensee.

(f) No financing or consulting or advisory services may be provided by a Licensee to a small business concern unless such concern by and through its authorized agent shall have executed SBA Form -----,⁴ Certification of Intent, certifying that such concern intends to conduct a regular and continuous business operation for a period of not less than five years from the date thereof. The Licensee shall be entitled to rely upon such Certification unless the Licensee has knowledge or has reason to believe that such concern does not in fact intend to conduct a regular and continuous business operation for a period of not less than five years thereafter. The executed SBA Form shall be retained by the Licensee as a permanent part of the concern's record with the Licensee.

³ Filed with the Federal Register Office as part of the original document. Copies of SBA Form 480 (10-60), Size Status Declaration, together with instructions, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

⁴ Filed with the Federal Register Office as part of the original document. Copies of SBA Form -----, Certification of Intent, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the address of which offices may be obtained from the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

§ 107.705 Consulting and advisory services.

(a) Consulting and advisory services shall consist only of advice with respect to the financial, management and operating activities of a small business concern; and shall not include performance by the Licensee of any financial, management or operating activity of the small business concern.

(b) Consulting and advisory services may be provided by a Licensee to only (1) those small business concerns which meet the eligibility requirements under the Act and the regulations thereunder; and (2) another Licensee in connection with the financing of a small business concern with which the latter Licensee proposes to negotiate forthwith or is then in process of negotiation for financing.

(c) A Licensee may render consulting and advisory services to small business concerns for whom the Licensee does not provide financing: *Provided, however,* That such services shall not constitute a major source of the income of a Licensee (including as part of Licensee's income the net income, before Federal income taxes, of said Licensee's subsidiary corporation under § 107.706).

§ 107.706 Subsidiary corporation for consulting and advisory services.

(a) A Licensee may organize and establish a corporation which shall be, and remain, chartered for the sole and express purpose of providing on behalf of the parent-Licensee consulting and advisory services to small business concerns subject to the provisions of the Act and the regulations thereunder, including § 107.705, and including in addition thereto:

(1) All of the stock of the subsidiary corporation shall be owned and totally held by the individual Licensee that shall organize such subsidiary corporation; the parent-Licensee shall never sell, transfer or otherwise divest itself of any part of the stock of its subsidiary corporation, except that the parent-Licensee may transfer back part of the stock of its subsidiary corporation to the treasury of the subsidiary corporation and such stock shall be forthwith retired and cancelled. In the event of the liquidation of the subsidiary corporation, the charter of such corporation shall be surrendered and terminated.

(2) Each officer or director of the subsidiary corporation must be at the same time either an officer or a director of the parent-Licensee.

(3) The financial investment by the parent-Licensee in its subsidiary corporation shall not exceed one percent of the Licensee's capital and surplus. Loans by the parent-Licensee to its subsidiary corporation shall not exceed one percent of the Licensee's capital and surplus.

(b) The parent-Licensee shall be responsible for compliance by its subsidiary corporation with the Act and the regulations. Reports submitted to SBA by the parent-Licensee shall reflect consolidated figures covering the activities of both the parent-Licensee and its subsidiary corporation, and the subsidiary corporation shall make such separate

reports covering its activities to SBA as shall be required by SBA. The subsidiary corporation shall be subject to examinations by examiners selected or approved by SBA, and in the event of the failure by the subsidiary corporation to make reports or to submit to examinations as required by SBA, such failure by the subsidiary corporation may be acted upon by SBA as the failure of the parent-Licensee and shall subject the latter to any penalty provided in the Act or the regulations thereunder.

§ 107.707 Services to banks or other financial institutions.

A Licensee may render services for and receive compensation from banks or other financial institutions only in connection with the financing of, or the providing of consulting and advisory services to, a small business concern by the Licensee in participation or cooperation with such bank or other financial institution.

§ 107.708 Aggregate limitation on investments and loans.

Without the prior written approval of SBA, the aggregate amount of loan obligations and Equity Securities of any single small business concern held, or for which commitments may be made, by any Licensee, shall not exceed twenty percent of the combined paid-in capital and paid-in surplus of such Licensee (including in such Licensee's capital and surplus the outstanding amount of its SBA loan under section 302(a) of the act).

§ 107.709 Conditions governing disbursement of SBA funds.

(a) Prior to the disbursement of any funds to a Licensee under the authority of section 302(a) or section 303(b) of the Act, the Licensee, by and through its duly authorized officer, shall execute and deliver to SBA the following written certification and statement on SBA Form No. 420.⁵

(b) Such certificate and statement may be qualified with such information, explanation, and data as the parties thereto may determine and establish as a part thereof; *Provided, however,* That upon the inclusion in any such certificate and statement any such qualifying material SBA may withhold disbursement of all or any portion of the funds involved pending consideration thereof by SBA, and after such consideration SBA may thereupon or subsequently cancel any commitment or other obligation to disburse all or any portion of the funds involved. If SBA shall determine, by examination or otherwise, that there is an impairment of capital, or that there has been a violation by the Licensee of

any provision of paragraph (a) of this section, SBA may withhold disbursement of all or any portion of the funds involved and may thereupon or subsequently cancel any commitment or obligation to disburse all or any part of the funds involved.

(c) Requests to SBA for funds under section 302(a) or section 303(b) of the act shall be submitted on SBA Form No. 416,⁶ which form in case of requests for financial assistance under section 302 (a) of the act shall be submitted as a part of the License Application.

§ 107.710 Idle operating funds.

(a) A Licensee may invest funds not reasonably needed for current operations, only in direct obligations of, or obligations guaranteed as to principal and interest by, the United States Government.

(b) Funds of a Licensee not employed in accordance with the provisions of sections 304 and 305 of the Act and the regulations thereunder, and not invested in accordance with paragraph (a) of this section, shall be retained in cash by the Licensee or placed on demand deposit with a commercial bank which is a member of the Federal Deposit Insurance Corporation.

§ 107.711 Insurance.

(a) A Licensee shall maintain fidelity or such other types of bonds or insurance as shall be required by SBA.

(b) Each Licensee shall provide and maintain a fidelity bond in form acceptable to SBA covering each officer or employee who has control over or access to cash, securities, or other property of the Licensee. Such bond shall cover all such persons and shall be approved by the board of directors of the Licensee for the protection of the Licensee. Brokers Blanket Bond, Standard Form No. 14, or other bond containing equivalent surety provisions, will be acceptable to SBA. Each such bond must be executed by a surety holding a certificate of authority from the Secretary of the Treasury under the act of Congress approved July 30, 1947 (6 U.S.C., secs. 6-13) as an acceptable surety on Federal bonds in the State or jurisdiction concerned. In lieu of the foregoing, a Licensee which submits evidence satisfactory to SBA that it has suitable fidelity bond coverage in form and substance acceptable to SBA in an amount at least equal to the minimum coverage required for such company in the table set forth below may be considered as having met the requirements of this section upon written approval by SBA. The minimum amount of fidelity bond for each Licensee acceptable to SBA shall be based upon the total amount of the assets of the Licensee plus the unpaid balance of loans and invest-

⁵ Filed with the Federal Register Office as part of the original document. Copies of SBA Form 420, Certification and Statement and Request for Funds, together with instructions, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

⁶ Filed with the Federal Register Office as part of the original document. Copies of SBA Form 416, Loan Application, together with instructions, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

ments which the Licensee has contracted to service for others, as follows:

Assets	Minimum coverage
Up to \$300,000	\$20,000
\$300,001 to \$400,000	25,000
\$400,001 to \$500,000	30,000
\$500,001 to \$750,000	40,000
\$750,001 to \$1,000,000	50,000
\$1,000,001 to \$2,000,000	75,000
\$2,000,001 to \$3,000,000	100,000
\$3,000,001 to \$4,000,000	125,000
\$4,000,001 to \$5,000,000	150,000
\$5,000,001 to \$7,500,000	175,000
\$7,500,001 to \$10,000,000	200,000
\$10,000,000 and over	(*)

* \$225,000 plus \$10,000 for each \$1,000,000 or fraction thereof over \$15,000,000, except that no Licensee shall be required to provide and maintain a fidelity bond in an amount greater than \$1,000,000.

§ 107.712 Identification of Licensee.

(a) The corporate name shall be such as not to misinform or mislead interested parties and the public of the purpose and function of said company. Such corporate name shall not include the words "United States", "National", "Federal", "Reserve" or "Government." The name shall not be so similar to that of another organization as to imply association with any other organization without prior approval from such organization.

(b) Each Licensee shall display its original License in a prominent place in or about its principal office; and a copy thereof shall be displayed likewise in or about any branch office or agency.

(c) Advertisements, annual statements, solicitations to investors, any communication made by or at the behest of a Licensee intended as a public statement by said Licensee, or any printed matter, including stationery imprinted with the name of the Licensee, shall identify that Licensee as "a Federal Licensee under the Small Business Investment Act of 1958."

§ 107.713 Common tenancy.

A Licensee shall not establish or maintain an office or place of doing business which is located in the same physical premises or place of business of any other Licensee. A Licensee shall not have a common private entrance or a private connecting door or entrance with any other Licensee.

§ 107.714 Branch offices and agencies.

A Licensee shall not establish any branches or agencies except with the prior approval of SBA. If the establishment of such branch or agency does not occur within 60 days of such approval, such approval will be withdrawn.

§ 107.715 Prohibited uses.

No funds may be provided by a Licensee for:

(a) Re-lending by the small business concern; nor may funds be provided to a small business concern if the business activity of such concern involves the investing, lending, or other providing of funds to others in exchange for an equity interest or monetary obligation.

(b) Purposes not contemplated by the act;

(c) Purposes contrary to the public interest, including but not limited to

gambling enterprises and activities, and any purpose which would encourage monopoly or be inconsistent with accepted standards of free competitive enterprise; or

(d) Use outside the States herein defined: *Provided, however*, That a Licensee may provide funds to a small business concern which is subject to State or Federal jurisdiction, (1) for use in the domestic production of products for distribution abroad, or to acquire abroad materials for such operation or (2) for use in its branch operations abroad or for transfer to its controlled foreign subsidiary in exchange for further equity interest in or the monetary obligation of such foreign subsidiary; so long as the major portion of the assets and activities of such concern, after funds are so employed, remains within the territorial jurisdiction of the United States.

(e) Financing land speculations of small business concerns: *Provided, however*, That small business concerns may use funds for the acquisition and prompt development of land.

(f) Any corporation, individual, partnership, or any other entity, that is not engaged in a business operation conducted as a regular and continuous activity. The mere ownership of property, and the collection of rents, income or profits therefrom, shall not constitute a business operation. Buying and selling property on a regular and continuous basis may constitute operation of a business; but leasing of property shall not constitute a business operation unless the lessor is regularly and continuously engaged in performing services in connection with the marketing, operation or maintenance of such leased property.

(g) A small business concern which is a customer of a vendor which owns or controls the Licensee, if the funds (or funds of the small business concern released by such financing) are used by the small business concern to purchase items or services sold to the small business concern by such vendor.

§ 107.716 Self-dealing limitation.

(a) Self-dealing to the prejudice of SBA or the Licensee's shareholders is prohibited.

(b) Without the prior written approval of SBA, a Licensee shall not purchase Equity Securities of, or make a loan to, an officer or a director of the Licensee, or any person owning or controlling, directly or indirectly ten or more percent of the stock of said Licensee, or any close relative of such officer, director, or stock owner or controller, nor shall the Licensee purchase Equity Securities of or make a loan to any company in which such officer or director or such owner or controller of the Licensee's stock, or his close relative is an officer or director or owns or controls ten or more percent of the stock of such company: *Provided, further*, That without the prior written approval of SBA a Licensee shall not make such purchase of such securities or make such loan within six months after the termination of such officership or directorship in the Licensee, or within six

months after the termination of such ownership or control of ten or more percent of the Licensee's stock. Nothing herein contained is intended to preclude a Licensee from permitting an officer, employee or representative from serving as a director, officer, or in any other capacity in the management of a small business concern for the purpose of protecting its investment in or loan to such concern.

EXAMINATIONS AND REPORTS

§ 107.801 Examinations.

(a) Each Licensee shall be subject to examination by SBA.

(b) Such examinations shall cover any and all matters as determined by SBA, and shall be conducted by SBA examiners or by any examiners selected or approved by SBA.

(c) The cost of each examination made by other than SBA examiners shall be paid by the Licensee involved; and the cost of any examination made by SBA examiners, including the compensation of such examiners, may, in the discretion of SBA, be assessed against the company examined and when so assessed shall be paid by such company.

(d) The time and manner of conducting any such examination shall be determined by SBA in each case.

(e) As such examination, SBA may accept an audit and examination conducted by an independent certified public accountant, selected or approved by SBA, and a report thereof containing the accountant's certificate required by § 107.802, together with such additional information as may be requested by SBA.

§ 107.802 Reports.

(a) Each Licensee shall keep current financial records in accordance with generally accepted accounting principles. All financial reports furnished to SBA by Licensees shall make full and complete disclosure of all matters relevant to the Act and Regulations.

(b) At the time any financial report is furnished to investors and shareholders of a Licensee, such Licensee shall submit to the Investment Administration Division, Small Business Administration, Washington 25, D.C., three (3) copies of such report.

(c) Each Licensee shall submit to SBA, at the end of the first six months

¹ See the Audit and Examination Guide for Small Business Investment Companies filed with the Federal Register Office as part of the original document.

The Audit and Examination Guide for Small Business Investment Companies has been prepared by SBA to inform licensees and independent certified public accountants engaged by them as to SBA's requirements concerning audits and examinations of SBICs. Copies of such Audit and Examination Guide are made available to Licensees and their independent CPA's through the Office of the Chief, Investment Administration Division of the Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the Office of the Administrator of the Small Business Administration.

period of each fiscal year, a report containing financial statements covering such six months period; at the end of each fiscal year a report containing financial statements for the fiscal year; and, when requested by SBA, interim financial reports. The fiscal year to which such reports shall relate shall be for SBA purposes the period beginning April 1 and ending March 31.

(1) The report as of the end of each fiscal year shall contain, or be accompanied by, an opinion by an independent certified public accountant, selected or approved by SBA, on the financial statements for the fiscal year included therein, unless a different twelve-month period to be covered by the annual audit is expressly given prior approval in writing by SBA. Such opinion shall be based on an audit conducted in accordance with generally accepted auditing standards.

(2) The accountant's certificate shall be dated, shall be signed manually, and shall identify without detailed enumeration the financial statements covered by the certificate. The accountant's certificate shall state whether the audit was made in accordance with generally accepted auditing standards; and shall designate any auditing procedures generally recognized as normal, or deemed necessary by the accountant under the circumstances of the particular case, which have been omitted, and the reasons for their omission. Nothing in this section shall be construed to imply authority for the omission of any procedure which independent accountants would ordinarily employ in the course of an audit made for the purpose of expressing the opinion required as stated hereinafter. The accountant's certificate shall state clearly: (i) The opinion of the accountant in respect of the accounting principles and practices reflected in the financial statements and as to the fairness with which the financial statements present the financial position of the Licensee at the audit date and the results of its operations for the period; (ii) the opinion of the accountant as to any material changes in accounting principles or practices or method of applying the accounting principles or practices, or adjustments of the accounts, which affect comparability of such financial statements with those of prior or future periods; and (iii) the nature of, and the opinion of the accountant as to, any material differences between the accounting principles and practices reflected in the financial statements and those reflected in the accounts after the entry of adjustments for the period under review. Any matters to which the accountant takes exception shall be clearly identified, the exception thereto specifically and clearly stated, and, to the extent practicable, the effect of each such exception on the related financial statements given.

(d) The financial reports required by this section to be submitted to SBA by Licensees shall be on the prescribed form constituting the Financial Report, SBA

Form 468,⁸ which is designed for submission in part or in its entirety. Part I requires statement of financial condition, statement of statutory capital and surplus, statement of income and expense, and statement of realized gain or loss on investments. Part II requires supporting Schedules 1 through 7, and Part III requires supporting Schedules 8 through 20. Part I, together with any schedule(s) of Parts II and III that may be specified, comprises the interim report required to be submitted, upon request by SBA, for any period of one month or more. Parts I and II comprise the report required to be submitted to SBA covering the first six months period of each fiscal year. Parts I, II, and III comprise the annual report required to be submitted to SBA covering the entire fiscal year. With the exception of the annual report upon which an independent certified public accountant has expressed an opinion, the Financial Report shall be submitted in triplicate to the Investment Administration Division, Small Business Administration, Washington 25, D.C., on or before the last day of the month immediately following the close of the period covered by the report. Such annual report shall be submitted in triplicate to the Investment Administration Division, Small Business Administration, Washington 25, D.C., on or before the last day of the third month following the close of the fiscal year to which such annual report relates. When the Licensee has one or more branch offices, the data contained in the basic financial statements and all supporting schedules shall comprise a consolidation of the figures for the principal office and all branches. All money amounts required to be shown in the financial statements and schedules may be expressed in even dollars, at the option of the Licensee. If the financial data are expressed in even dollars, appropriate adjustments of individual amounts shall be made for the fractional parts of a dollar so that the items will add to the totals shown. The Financial Report prepared by each Licensee shall present fairly the financial position of the Licensee as of the close of the period covered by the report and the results of the Licensee's operations for such period, and shall be prepared in accordance with the detailed instructions given in paragraph (h) of this section.

(e) The verification of the Financial Report shall bear the signature of the chief financial officer, or other officer authorized by the board of directors to sign in the event the chief financial officer is unavailable. The date on which the signature is affixed shall be shown. When only Part I of the Financial Report is submitted, with or without any specified schedule(s) from Parts II and

III, the signature shall be affixed in the space provided therefor in Part I; when Parts I and II of the Financial Report are submitted, the signature shall be placed in the space provided therefor in Part II and need not be affixed in Part I; and when Parts I, II, and III of the Financial Report are submitted, the signature shall be entered in the space provided therefor in Part III and need not be affixed in either Part I or Part II. When Parts I, II, and III are submitted, a secretarial officer of the Licensee shall attest by signature to the fact that the minutes of a meeting of the board of directors of the Licensee show that the Financial Report comprising Parts I, II, and III has been reviewed and approved by the board of directors. All three copies of the Financial Report to be furnished to the Small Business Administration shall bear the original signature(s) of the verifying officer(s) in ink.

(f) Whenever any assets are pledged as collateral or are earmarked for segregation under a negative pledge or similar agreement, the word "pledged" or the word "earmarked," as appropriate, together with the amount involved, shall be shown in parentheses immediately following the appropriate asset title in the statement of financial condition, and the identity of the assets pledged or earmarked shall be indicated in the supporting schedules. Whenever amounts are classified as "current" and "noncurrent," "current" shall refer to the amount maturing within one year and "noncurrent" shall refer to the amount maturing after one year. If, however, an amount will mature within one year but is not reasonably expected to be paid when due, it shall be classified as "noncurrent."

(g) Copies of the Financial Report, SBA Form 468, together with instructions, are available at the Office of the Investment Division of the Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the Office of the Administrator of the Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

(h) The Financial Report, SBA Form 468, required to be used by all Licensees in making financial reports to SBA is designed to furnish the companies and SBA with the information needed for their respective purposes. The Financial Report, SBA Form 468,⁹ which is incorporated in and expressly made a part of this section.

(i) Each Licensee shall submit in triplicate to the Investment Division, Small

⁸ Form filed as a part of the original document. Licensees required to file a registration statement under the Investment Company Act of 1940 should refer to the rules and forms promulgated by the Securities and Exchange Commission, Washington 25, D.C., concerning the applicability of this report in fulfilling the Commission's requirements for financial reports.

⁹ Form, as amended, filed with the Federal Register Office as part of the original document. Copies of SBA Form 468, Financial Report, as amended, together with amended instructions, are available at the Office of the Investment Division of the Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the Office of the Deputy Administrator, Investment Division, Small Business Administration.

Business Administration, Washington 25, D.C., at the end of the first six months' period of each fiscal year, and at the end of the second six months' period of each fiscal year, an activity report, showing by significant categories the amounts of the Licensee's loan and equity financing transactions for the period covered by the report, in accordance with the instructions contained in subparagraph (3) of this paragraph, for preparation of the Activity Report, SBA Form 477,¹⁰ which form is incorporated in and expressly made a part of this section. The fiscal year to which such reports shall relate shall be for SBA purposes the period beginning April 1 and ending March 31. Such Activity Report shall be submitted on or before the last day of the month immediately following the close of the six months' period covered by such report.

(j) In addition to the reports required elsewhere in this section each Licensee shall, upon request by SBA, submit to the Investment Division, Small Business Administration, Washington 25, D.C., such other reports at such times and in such forms as SBA shall require.

COMPLIANCE AND ENFORCEMENT

§ 107.901 Enjoiner of violations.

Whenever in the judgment of SBA any person, including a Licensee, has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of any provisions of the act or of any regulation thereunder, SBA may apply to a proper court for an order enjoining such act or practices or for an order enforcing compliance with such provision or regulation.

§ 107.902 Forfeiture of License.

Final determination by a court of the United States that a Licensee has violated or failed to comply with any of the provisions of the act or regulations prescribed thereunder, shall thereupon effect a forfeiture of the License of such Licensee.

INTERPRETATIONS

§ 107.0100 Capital structure of licensees (interpreting section 302 of the Act).

Whenever capitalization of Licensee is to consist of more than one class of stock the voting rights and other rights and remedies may not be inequitable or discriminatory, and may not unduly concentrate control or management of the Licensee through pyramiding, inequitable methods, or inequitable distribution. Full disclosure of all voting rights and other rights and remedies of all classes

¹⁰ Filed with the Federal Register Office as part of the original document. Copies of the Activity Report, SBA Form 477, together with instructions, are available at the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C., and at all Regional Offices of the Small Business Administration, the addresses of which offices may be obtained from the Office of the Deputy Administrator, Investment Division, Small Business Administration, 811 Vermont Avenue NW., Washington 25, D.C.

of stock must be made to all shareholders prior to their purchase of stock.

§ 107.0101 Repayment of subordinated debentures (interpreting section 302 (a) of the Act).

(a) Repayment of subordinated debentures must be made in such manner as not to reduce paid-in capital and surplus below the statutory minimum. This minimum is set by section 302(a) of the Act at \$300,000, and subordinated debentures are deemed to be a part of capital and surplus for the purpose (among other things) of providing this minimum.

(b) At the same time, the obligation of a Licensee to repay a subordinated debenture is absolute and binding, and is not limited to the availability of particular funds. For example, although subordinated debentures may be repaid from borrowed funds, such repayment may not be made unless capital and surplus is simultaneously maintained at or above the \$300,000 level.

(c) Thus, Licensees should be aware of their obligations under the terms of the debenture, and these obligations should be provided for in a manner which will insure compliance with the minimum capital requirements imposed by section 302 of the Act.

§ 107.0102 Participation by SBA with a licensee under section 7(a) of the Small Business Act in an SBIC loan (interpreting sections 302 and 303 of the Act).

Sections 302 and 303 of the Small Business Investment Act of 1958 limit the nature and degree of financial assistance which SBA is authorized to provide Licensees in conjunction with the financing which Licensees are empowered to render small business concerns. Under these limitations SBA cannot participate with a Licensee under section 7(a) of the Small Business Act or otherwise in loans made by Licensee to small business concerns.

§ 107.0103 Aid for agriculture (interpreting sections 304 and 305 of the Act).

The program established by the Investment Act is to aid business concerns, and the assistance available through such program cannot provide financial or other assistance to concerns engaged in agricultural activities, namely, those involving the production of crops and livestock. In cooperation with the Department of Agriculture, SBA has established certain basic guidelines to aid in the determination whether an operation is a business or agricultural enterprise.

(a) Concerns engaged solely or primarily in the purchase and resale of commodities, the manufacture, processing or marketing of commodities, or the sale of services to the public are considered to be engaged in a business enterprise. This includes the purchase of fruits, vegetables and flowers for resale, the packaging, freezing, or processing by other means, of meats, fruits, and vegetables, the slaughter of livestock and poultry, the operation of warehouses and cold storage plants, feed mills, and the operation of a feed yard for cattle where

income is derived from the service operation of housing and feeding the animals.

(b) Concerns engaged solely or primarily in the production of agricultural commodities are considered to be engaged in an agricultural enterprise, which normally involves the cultivation of the land for the production of food and fiber. This would include concerns producing field crops, livestock, and nursery crops.

(c) A concern which is engaged in an agricultural enterprise as well as a business enterprise will be classified according to the predominant part of its operations, considering the time devoted to agriculture and business and the income derived from each.

§ 107.0104 Short-term loans by a licensee (interpreting § 107.601(d)).

The question has arisen as to whether a Licensee may purchase Equity Securities from a real estate developer-builder and follow up with a less than five-year maturity construction loan to such builder. Such a short-term loan would not be within the exception of 107.601(d), permitting loans for terms of less than five years when necessary to protect the interest of a Licensee in an existing long-term loan, Equity Securities or stock. The exception for short-term loans is an emergency privilege which is available only if unavailable and as a necessity for the protection of a prior loan or investment.

§ 107.0105 Eligible investments for idle operating funds of SBICs (interpreting § 107.710).

Under the provisions of § 107.710 a Licensee may invest funds not reasonably needed for current operations in U.S. Treasury bonds, notes, certificates, and bills; U.S. Savings bonds, Series E and Series H; and Federal Housing Administration debentures. Investment is not permitted in securities of the Federal Intermediate Credit Banks, Federal National Mortgage Association, Federal Home Loan Banks, Federal Land Banks, Banks for Cooperatives, or International Bank for Reconstruction and Development (World Bank).

§ 107.0106 Employment of funds provided small business concerns by licensees (interpreting § 107.715(a)).

(a) The question has been raised as to whether Licensee may provide loans to concerns known as professional associations. Such associations would transfer the proceeds of loans from Licensee to institutions and professional people in exchange for interest-bearing time notes.

(b) Section 107.715(a) is interpreted to provide that funds supplied small business concerns by Licensee may not be invested, loaned, or otherwise transferred by such small business concerns for use by others in exchange for an equity interest or promise to repay. Therefore the type of financing described above is not permitted. Similarly, such funds may not be used for financing factoring operations, or for the purchase of commercial paper.

APPENDIX

NOTE: The following forms are illustrative of content only and are not meant to be exact facsimiles of the forms to be filed with SBA.

SBA Form 525 -----, 19--

SMALL BUSINESS ADMINISTRATION

CERTIFICATION OF INTENT

The licensee shall obtain the execution hereof by the small business concern involved (applicant) prior to providing financing, or consulting and advisory services to such concern.

(Name and address of licensee)

(Name and address of applicant)

(Nature of applicant's business)

CERTIFICATION

Applicant, through its duly authorized officer, hereby certifies that the named applicant intends to conduct as a regular and continuous business operation for a period of not less than five (5) years from the date hereof the business operation for which application for financing, or consulting and advisory services is being made. This certification is made for the purpose of securing financing, or consulting and advisory services from the above-named licensee and is made with full knowledge and understanding of the penalties provided for in Title 18, section 1014, United States Code.

(Name of applicant)

By -----

Date -----

UNITED STATES OF AMERICA

SMALL BUSINESS ADMINISTRATION

[SBA Form 414, Revised 9-60, Part I]

PROPOSAL TO OPERATE A SMALL BUSINESS INVESTMENT COMPANY UNDER THE SMALL BUSINESS INVESTMENT ACT OF 1958, AS AMENDED

Date -----, 19--

(See Instructions)

Item 1. Name of proposed operator (exact name as specified in proposed Articles of Incorporation) -----

Item 2. Proposed location of principal office (to extent known):

City and zone -----

Street and number -----

County -----

State -----

Item 3. Agent for correspondence:

Full name -----

Street and number -----

Telephone -----

City and zone -----

State -----

Item 4. Proposed capitalization at start of business:

(a) Capital stock -----, \$-----

(Class) (Par value)

per share, authorized ----- shares, out-

standing ----- shares, sales price per share

\$----- (cash).

Resultant cash proceeds as paid-in capital

and surplus \$-----

If more than one class of capital stock

-----, \$----- per share, authorized

(Class) (Par value)

----- shares, outstanding ----- shares,

sales price per share \$----- (cash).

Resultant cash proceeds as paid-in capital

and surplus.

Total paid-in capital and surplus from sale

of stock.

(b) Subordinated debentures proposed to

be sold to SBA.

Total paid-in capital and surplus as proposed, including subordinated debentures.

Less: Total organization expenses, incurred and proposed.

Net paid-in capital and surplus, including subordinated debentures.

(c) Other outstanding debt securities (if any).

PART I—INSTRUCTIONS

(References in parentheses are to act, amendments, and regulations in force as of date of this form and are for guidance only. Prior to filing of this proposal, refer to and read with care the applicable act, amendments, and regulations thereunder.)

General. Proposal Form 414 is to be used by proponents for submission to the Small Business Administration for consideration for qualification to submit a license application.

It is suggested that proponents not incorporate the proposed operator until drafts of the proposed articles of incorporation and bylaws have been submitted as exhibits to Form 414 and have been approved by the Small Business Administration and a "notice to proceed" has been issued to proponents.

The initials "SBA" and the words "proposed operator" and the "act" where used throughout this proposal shall be as defined in section 107.12 of the regulations.

Format, etc. This SBA Form 414 and the exhibits required hereunder (unless such exhibits are excepted by specific instructions) must be completed and submitted in quintuplicate to the SBA regional office nearest to the principal office of the proposed operator. Exhibits should be typed on a good quality bond paper for the original and on a good grade manifold paper for the copies, both of legal size. Each sheet of such exhibits must be identified at the top by a number reference to the related item, the caption designated for such item, and the name of the proposed operator. Separate sheets must be used for each exhibit and, where more than one sheet may be necessary for an exhibit, such sheets must be securely fastened together at the top edge. In responding to items, either include the text of the items or make complete statements which indicate to the reader coverage of the items without the necessity of his referring to the text or the instructions thereto; do not include answers such as "yes," "no," or "inapplicable."

Disposition and action. Upon completion of its review, investigations, and evaluations of this proposal, SBA may call upon the proponents to furnish additional information and substantiations considered to be in the interest of the proposal and of SBA's evaluation. As soon as action has been taken on the proposal, the proponents will be notified and, if the proposal is approved, will be furnished with a notice to proceed and a license application, SBA Form 415, which will specify the terms and conditions under which a license will be issued. (See sec. 107.102, 107.201, 107.103, 107.202 of the regulations.)

Other Government agencies. SBA is without authority to interpret, rule or advise with respect to any laws or regulations administered by the Securities and Exchange Commission (SEC), Internal Revenue Service or any other Federal, State, or local government agency and with respect to the proponents' or proposed operator's responsibilities thereunder. Any opinions or rulings of such agencies with respect to such responsibilities of the proponents or proposed operator will be duly considered by SBA in its determinations.

SEC review. The proposed operator must, prior to the issuance of a license by SBA, submit evidence from the Securities and Exchange Commission that the proposed operator is not required to register as an investment company under the Investment Company Act of 1940 and that the sale of

its securities as presently proposed is not subject to registration under the Securities Act of 1933, or if registration is required under said acts, evidence satisfactory to SBA that the proposed operator has complied with such requirements. A copy of this proposal will be furnished by SBA to the SEC for concurrent review. Proponents should write to the SEC for a determination of the status of the proposed operator under those acts.

Amendments. It is specifically called to the attention of the proposed operator that this proposal, when it is approved initially by SBA, will become a part of the license application and amendments thereto will require approval of SBA. (See sec. 107.704 of the regulations.) Amendments should be submitted in all cases in quintuplicate as entire replacing pages, items or exhibits, in the same form and size as the original proposal and to the SBA regional office nearest to the principal office of the proposed operator. Each original amended page so submitted should be authenticated by the date and signature of an authorized officer or counsel for the proposed operator or licensee, and copies shall bear the date and signature of the same person.

NOTE: The information to be furnished under the following items 5-15, inclusive, to be by exhibits.

Item 5. Source of initial capital and expansion plans—(a) Initial capital. (1) Describe plans for raising initial capital, as shown in item 4. Include the manner in which the securities of the proposed operator are to be offered; e.g., by sale to the general public or, if no offering is to be made to the general public, the names or number of persons to whom each class of security is to be offered, the relationship of such persons to the proposed operator, or its organizers, and whether such persons are to take the securities for investment or whether they are to be taken for resale to others. Also, describe the manner in which the securities are to be offered; e.g., personal contact (indicating whether by paid salesmen or otherwise), use of printed sales literature, newspaper or other advertising, etc.

(2) State the number of beneficial owners of each class of securities and the total number of such owners, which it is estimated the proposed operator will have at the completion of its initial financing. Where a corporation is to beneficially own 10 percent or more of the voting securities of the proposed operator, state the number of beneficial owners of all outstanding securities of that corporation. Also state whether the value of all securities owned by such corporation, of licensed and/or proposed small business investment companies under the act, exceeds 5 percent of the value of the total assets of such corporation.

(3) State whether it is intended to register any of the securities under the Securities Act of 1933. If not, state which exemption from registration is considered applicable (e.g., private offering exemption) and state the facts which are considered to be the basis for availability of such exemption.

(4) State whether the proposed operator will register under the Investment Company Act of 1940 and, if not, indicate the exception or exemption in that act relied upon to make such registration unnecessary.

(b) Additional capital. (1) State plans, if any, during the first year of operation, for raising additional capital, by sale of capital stock and by sale of debt securities, to SBA and others. If to others, state whether such capital is to be raised through an offering to the general public or otherwise.

(2) State plans, if any, for expansion of resources in second year or subsequent years of operation.

Item 6. Status of organization—Availability of State charter. (a) If incorporated, state the date charter was issued and iden-

tify the jurisdiction in which incorporated. If not incorporated, name the proposed State of incorporation.

(b) If State charter has been obtained or is believed available, furnish an opinion of counsel for the proponents that the proposed operator is, or can be, chartered under State law to conduct, in the area defined under item 7 hereof, only the activities described under title III of the act, in accordance with and subject to the provisions and purpose of the act and subject to regulations prescribed by SBA under the act.

(c) Submit as exhibits the proposed or actual charter or articles of incorporation, showing the names of the incorporators and the proposed or actual bylaws of the proposed operator.

Item 7. Area of operations—(a) Definition of area. Define the precise geographical area(s), naming States or other political subdivisions, in which the business of the proposed operator will be principally carried on, and indicate the locations in which branch offices or agencies are proposed to be established within 60 days following receipt of a license and the area to be served by each.

(b) **Authorization in other States.** If the area defined in paragraph (a) above includes one or more States in addition to the proposed State of incorporation, furnish an opinion of counsel that the proposed operator can obtain authority or will otherwise be entitled to conduct, immediately upon the issuance of a license, its franchise powers in full in such other State(s), in accordance with the provisions of its charter, the act and regulations prescribed thereunder.

Item 8. Need for proposed operator in the area. State the business and economic factors which indicate a need for establishment of the proposed operator in the area(s) defined in item 7 above.

Item 9. Plan of operations. State fully the general plan of operations, including in detail, insofar as practicable, the following:

(a) Proposed officers and other operating personnel, with a description of their functions (exclusive of those mentioned in the bylaws) and their rates of compensation. Submit as an exhibit a copy of any employment contract with any such person.

(b) Proposed use of physical equipment, quarters or personnel of others, including a description of such arrangement, if any. If the arrangement is for a fee and with any person specified in section 107.716(b) of the regulations, specifically describe the services to be supplied to, or performed for, the proposed operator and the amount of compensation to be paid therefor. A copy of any contract for such services should be submitted as an exhibit. If such services are to be furnished by others without charge, submit evidence of the authority of such persons to supply such services.

(c) Any proposed consulting and advisory services to be performed for small business concerns with the fees to be charged for such services.

(d) Use of investment advisers, finders, consultants or business managers. (See sec. 107.704(d) of the regulations.)

Item 10. Policy. Describe the proposed policies of the proposed operator with respect to each of the following matters:

(a) **Investment policy.** (1) Concentration of investments in particular industries or in particular types of small business concerns.

(2) The maximum percentage of voting securities of any one small business concern which it proposes to acquire, directly or through conversion or through the exercise of a warrant, right, or stock option.

(b) **Interest, discount, and other charges on loans.** (1) State the maximum annual

interest rate and maximum discount permitted by local law in the operating area to be charged on equity type securities evidencing a debt and long term loans to incorporated and to unincorporated small business concerns. (See sec. 107.501 and 107.601 of the regulations.)

(2) State the maximum annual cost, itemized as to interest, discount and other charges, to be charged to any borrower in consideration of net funds advanced, for both single payment or installment type loans, with annual cost computed as a percentage of average outstanding (unpaid) net funds advanced.

In computing "net funds advanced" for this purpose, charges made by the proposed operator against the small business concern at the time of the granting of the loan for investigations, screenings, credit reports, appraisals, financial reports, legal services, commissions, etc., must be added to any discount and correspondingly reduce such "net funds advanced."

(c) **Internal controls of funds and portfolio securities.** Safeguarding procedures involving custody of securities and approval of disbursements of cash and withdrawal of securities from safekeeping.

(1) As to the custody of securities:

(i) State the name, principal business address and the nature of the business of any person who is to act as custodian of the securities of the proposed operator and describe the arrangements under which such securities are to be held.

(2) Approval of disbursements and withdrawals:

(i) Specify which officers, two or more of whom will be required to sign all checks of the proposed operator and all authorizations for the withdrawal of securities from safekeeping, or

(ii) Specify safeguarding procedures which will be followed involving dual approval by specified officers of disbursements and withdrawals of securities from safekeeping.

Item 11. Management and control—(a) Relationship. List by name and address the following persons, corporations, partnerships and other entities, and show in tabular form, (i) the proposed title or relationship of each to the proposed operator, and (ii) the amount and percentage of each class of capital stock and other securities of the proposed operator to be owned by each directly or indirectly:

(1) All persons who are or who it is presently contemplated will be officers or directors of the proposed operator, and each person who, individually or in concert with others, will directly or indirectly control, the affairs and operations of the proposed operator, and

(2) Each person, corporation, partnership, trust, or other entity, which owns or proposes to own, either directly or indirectly, 5 percent or more of the voting securities issued or to be issued by the proposed operator. Where a corporation is to beneficially own 10 percent or more of the voting securities of the proposed operator, state the names and addresses of all beneficial holders of 10 percent or more of the voting securities of that corporation.

(b) **Arrangements affecting control.** As to each person, corporation, etc., named in response to (a) above, and as to all capital stock owned or to be owned by each, as stated above, furnish the material and substantive details of all arrangements existing or presently contemplated, whereby:

(1) Shares owned or to be owned directly are to be owned indirectly by other persons;

(2) Shares owned or to be owned, either of record or beneficially, are to or may be transferred, or resold to others;

(3) Shares are now subject, or are to be made subject to any loan or pledge incident to the purchase thereof;

(4) Shares are to be subject to any understanding or commitment as to exercise of voting rights.

(c) **Qualifications of management.** (1) Furnish, with respect to each present or proposed officer and director listed under (a) above, a separate sheet showing the following information: Name and address; a summary of business or other vocational experience during the past ten years—stating the periods of each primary activity and the names of the firms, concerns or entities with which associated; title, position and ownership interest in such concerns; basic functions and responsibilities; and a summary of any special experience or qualification pertinent to the proponents' management responsibilities;

(2) List all business concerns with which each person listed under item (a) above is presently affiliated as an officer, director, or by way of direct or indirect ownership of 10 percent or more of any class of stock of such concerns, by way of direct or indirect control, or by way of any other affiliation, showing names and addresses of such concerns, and details of relationship and ownership.

Item 12. Previous Government financing. List the assistance received from, requested of, or refused by, either the Small Business Administration or the Reconstruction Finance Corporation, to the extent that any phase of such assistance, request or refusal may have occurred, existed or remained pending during any part of the last 5 years as to the following:

(a) Each person named in item 11(a),

(b) Any company controlling any such person, or

(c) Any company directly or indirectly, controlled by any such person, individually or in concert with others. State the name of each person, related company, and Government agency, and show the original amount, the date and the balance, if any.

Item 13. Small business investment company affiliations. List persons named in item 11(a) who have or contemplate direct or indirect ownership of stock in any other small business investment company, or have other affiliations therewith, and show the names of such companies and the percent of stock ownership involved or such other affiliation.

Item 14. Disclosure of any family relationship or financial interest of any SBA employee. List the names of any SBA employees or advisory board members who are related by blood, marriage, or adoption to, or who have any present or have had any past, direct or indirect, financial interest in or in association with the proponents.

Item 15. Names of attorneys, accountants, and other parties. List the names, addresses, description of services, total compensation to be paid and compensation already paid, of all attorneys, accountants, appraisers, agents, and all other parties (whether individuals, partnerships, associations or corporations) engaged by or on behalf of the proposed operator, whether on a salary, retainer or fee basis and regardless of the amount of compensation, for the purpose of rendering professional or other services of any nature whatever to proposed operator or proponents, in connection with the preparation or presentation of this proposal.

Item 16. Declaration of proponents. (a) We, the undersigned proponents, numbering ----- persons, are identified in the exhibits to item 11 above as being all the officers and directors of the proposed operator, either proposed or duly elected, and all those persons who otherwise own or pro-

pose to own, directly or indirectly, 5 percent or more of the voting stock of the proposed operator. We represent that all information submitted in this proposal and in the exhibits submitted therewith, or in connection therewith, is true and complete to the best knowledge and belief of each one of us.

(b) We hereby propose that the proposed operator be approved in all respects to operate under the Small Business Investment Act of 1958, as amended, subject to complete compliance by the proponents and the proposed operator with all applicable provisions of said act, and the pertinent regulations of the Small Business Administration.

(c) Subject to the issuance of a SBA license to the proposed operator, we hereby covenant that, prior to or simultaneously with such issuance of a license, we will:

(1) Furnish the Small Business Administration with evidence satisfactory to it that the capital and surplus to be provided as stated in paragraphs 4 (a) and (b) of the proposal, and represented by cash, will have been duly paid in to the proposed operator, and the shares of capital stock will have been duly issued therefor to the persons entitled to receive same, provided however that the proposed operator shall be legally entitled to effect such transactions, or

(2) Enter into such escrow arrangement with such banking institution, as both may be approved by the Small Business Administration, which will effect the same results as provided for in paragraph 4a, above, at the earliest time the proposed operator shall become legally entitled to effect such transactions.

(3) Take all actions necessary to comply with all applicable Federal, State, and municipal laws, and will furnish the Small Business Administration such evidence thereof as it may require.

(d) We, by our signatures below, certify that: Except as stated in the exhibit to item 15 of the proposal, no one of us has paid or incurred any obligations to pay, directly or indirectly, or has caused the proposed operator to so pay or to incur any obligation to so pay, any fee or other compensation for obtaining the approval herein proposed.

(Signature) _____	(Signature) _____	(Signature) _____
(Typed name) _____	(Typed name) _____	(Typed name) _____
(Signature) _____	(Signature) _____	(Signature) _____
(Typed name) _____	(Typed name) _____	(Typed name) _____

Proponents should immediately notify SBA of any change in or addition to the information set forth above.

UNITED STATES OF AMERICA
SMALL BUSINESS ADMINISTRATION
[SBA Form 414 (8-60), Part II]
STATEMENT OF PERSONAL HISTORY

Instructions. This form shall be submitted in triplicate to the SBA regional office with which part I, SBA Form 414, is filed. All questions must be answered by all proposed officers, directors and each person who will own 10 percent or more voting stock of the proposed operator.

Name and address of proposed operator _____
(Street, city, and State) _____

1. Personal statement of:
First name in full _____
Middle name in full _____
(If none, so state) _____

Last _____

2. Date of birth: _____

(Month, day, and year)

3. Place of birth: _____

(City and State or foreign country)

4. Citizen of United States?

☐ Yes ☐ No

5. Starting with present address list residence addresses in last 10 years:

From _____ to _____
Address _____

6. Starting with present employer list all employers in last 10 years:

From _____ to _____
Employer _____

Address _____
Position held _____

7. List three character references:

Full name _____
Home or business address _____

Business or occupation _____

The information on this form will be used in connection with an investigation of your character. Any additional information you wish to submit should be set forth below. If more space is needed, continue on additional sheets and attach hereto. Affix signature and date at end of statement.

For agency use: No. _____

(Signature) _____

(Title) _____

(Date) _____

UNITED STATES OF AMERICA
SMALL BUSINESS ADMINISTRATION
[SBA Form 415 (3-61) Part I]
LICENSE APPLICATION

Application for license to operate as a small business investment company under the Small Business Investment Act of 1958, as amended.

Instructions.

1. This form and all exhibits, appropriately identified, must be filed in quadruplicate with the appropriate Regional Office of SBA.

2. This form may be submitted only by a proposed operator named in a proposal submitted on SBA Form 414, and only after the proponents named therein have received from SBA a notice to proceed to take action necessary to qualify the proposed operator to execute and submit this license application.

3. This license application must be filed in accordance with any requirements contained in the aforementioned notice to proceed and within 90 days of the date thereof.

4. This form consists of two parts. Part I will be filled out and signed in all cases. Part II will be filled out and signed only if SBA funds are being requested pursuant to section 302 of the act.

Name of proposed operator as specified in charter _____

Address of principal office _____

Name of agent for correspondence _____

Address of agent _____

Telephone number of agent _____

1. Organization. Proposed operator was incorporated on (date) _____ under the laws of (State) _____.

2. Request for license and offer to conduct business. The proposed operator hereby requests SBA to issue to it a license for opera-

tion under the Small Business Investment Act of 1958, as amended, and the regulations thereunder, in the following area: _____

The proposed operator hereby offers to SBA to conduct, in its aforesaid operating area, immediately upon the grant of a license to it, only the activities described under title III of the Small Business Investment Act of 1958, as amended, and the regulations thereunder, and in accordance with and subject to the provisions and purposes of the act.

3. Exhibits. The following exhibits are submitted herewith and constitute a part of this license application:

a. Articles of incorporation, or charter, of the proposed operator, certified by the Secretary of State, or other appropriate authority; certified copies of certificates of authority (certified by the secretary of State, or other appropriate authority) evidencing authority of the proposed operator to conduct its activities in States other than the State of incorporation, if any; together with such other evidence that SBA may deem necessary to provide the authority and right of the proposed operator to conduct, immediately upon the issuance of a license, its full franchise powers in each jurisdiction of its proposed operating area.

b. Bylaws of proposed operator, certified by appropriate corporate official.

c. Certified copies of minutes of corporate meeting at which present directors were elected.

d. Certified copies of minutes of the meeting of directors at which the present corporate officers were appointed.

e. Certified copies of a resolution of the board of directors authorizing the execution and submission of this license application.

f. Actual balance sheet of the proposed operator as of the date of this license application, verified by an authorized officer. This balance sheet should evidence that the proposed operator has a paid-in capital and surplus equal to at least \$300,000 (exclusive of organizational expenses) in cash or in eligible Government securities, as defined in section 107.0105 of the regulations, at their immediately realizable amount, on hand, in banks, or in escrow for release to the proposed operator, contingent solely upon the issuance of a license; however, the aggregate principal amount of subordinated debentures, if any, of the proposed operator for which SBA's commitment to purchase is requested in part II hereof, shall be deemed to be a part of the paid-in capital and surplus of the proposed operator for this purpose. The name of the bank or banks, if any, in which such cash is on deposit, and copies of any escrow agreement should accompany the required balance sheet. (See sec. 107.202(c) of the regulations.)

g. Evidence issued by the Securities and Exchange Commission that the securities of the proposed operator presently proposed to be sold, as set forth in its proposal, are not required to be registered under the Securities Act of 1933 and that the proposed operator is not required to register as an investment company under the Investment Company Act of 1940; or, if such registration is required, evidence satisfactory to SBA that the proposed operator has complied with such requirements.

h. A written opinion of counsel for the Proposed Operator to SBA stating that:

(1) the proposed operator has complied with all applicable local, State, and Federal laws in the formation and organization of the company;

(2) the proposed operator, in selling its stock to obtain the required capital and surplus, has complied with every law, regulation and obligation relating to or controlling the

PROPOSED RULE MAKING

sale of its stock and is and will be authorized and entitled to receive and retain the funds paid to or to be paid to it by each entity in consideration for said stock issued or to be issued by the proposed operator; and

(3) the proposed operator is authorized under existing charter, bylaws and otherwise to issue its stock to all small business concerns, pursuant to section 304(c) of the act, as amended, forthwith and independent of any preemptive or similar rights or limitations.

(4) The proposed operator is chartered by the State of _____ to conduct, in its proposed operating territory, or area, only the activities described under Title III of the Small Business Investment Act of 1958, as amended, in accordance with, and subject to, the provisions and purposes of the act and in accordance with, and subject to, regulations prescribed by SBA under the act.

(5) The proposed operator is authorized and entitled to conduct said franchise powers in full in each jurisdiction to be named in its license as part, or all, of its operating territory, or area, immediately upon the issuance of a license.

4. **Representations.** All statements made in this license application and in the attached exhibits are considered material representations, and all exhibits are a material part hereof and are incorporated herein as if set out in full in the license application. The proposal heretofore submitted in which the proposed operator named above was so designated, and all amendments and exhibits thereto, are considered material representations and are incorporated herein and made a part hereof as if set out in full in this license application. The undersigned corporation hereby agrees to pay to SBA the sum of \$100 upon issuance of a license, if granted.

5. **Signature.** (Sign and attest here.)

By _____
(Name of proposed operator)

(Signature)

(Typed name)

(Title)

Attest:

(Secretary of proposed operator)

Dated this _____ day of _____, 19____

[SBA Form 415, (3-61), Part II]

APPLICATION FOR AGREEMENT TO PURCHASE SUBORDINATED DEBENTURES

To be filled out and signed only if SBA funds are requested pursuant to section 302 of the act.

Requests for disbursement of any funds pursuant to any SBA commitment must be made on SBA Form 420.

1. Pursuant to the provisions of section 302(a) of the Small Business Investment Act of 1958, as amended, and the regulations thereunder, the proposed operator hereby requests SBA to agree to purchase not in excess of \$_____ principal amount of its 5 percent subordinated debentures, such amount being necessary to provide the proposed operator with an initial minimum of paid-in capital and surplus, in cash or in eligible Government securities, as defined in section 107.0105 of the regulations (exclusive of funds required to satisfy organization expenses), equal to \$300,000. One executed and three conformed but undated copies of said subordinated debenture are submitted herewith as exhibit (i) to this

application. SBA is hereby authorized to insert the date on said subordinated debenture to coincide with the date of the license, if granted.

The proposed operator hereby certifies that the funds to be so obtained from SBA are not available from private sources for the subject venture.

The proposed operator hereby certifies that it is not and will not be owned substantially or controlled by any parties or interests which own or will own substantially or control any other proposed operator or licensee.

NOTE: Completion of this Item will be deemed to be a request submitted on Form 416, for the purpose of meeting the provisions of § 107.709(c) of the regulations.

2. The following exhibits are submitted herewith and constitute a part of this license application:

(i) One executed and three conformed copies of the subordinated debenture.

(j) A written opinion of counsel for the proposed operator to SBA stating that the proposed operator is empowered to issue its subordinated debenture to SBA and such debenture, upon issuance, will be valid and enforceable against the proposed operator, in accordance with the terms thereof.

(k) Certified copies of the resolution of the board of directors authorizing the issuance and sale of the subordinated debentures to SBA.

3. **Signature.** (Sign and attest here only if SBA funds are requested.)

By _____
(Name of proposed operator)

(Signature)

(Typed name)

(Title)

Attest:

(Secretary of proposed operator)

Dated this _____ day of _____, 19____

SMALL BUSINESS ADMINISTRATION

[SBA Form 480 (10/60)]

SIZE STATUS DECLARATION

The licensee shall date and execute this declaration (see Instruction No. 3 below) and shall obtain the execution hereof by the business concern involved (applicant) prior to providing financing, or consulting and advisory services to such concern. Part A is to be completed by the applicant in all cases. If any question in part A, except question 1, is answered "yes," part B is to be completed by the applicant.

Name and address of licensee.

Name and address of applicant.

Form of organization of applicant (corporation, partnership, etc.).

Affiliation. (Applicant (is) (is not) affiliated with any other concern (see definition of affiliates on p. 2). If affiliated, explain fully on an attached sheet.

PART A

1. Is applicant (including affiliates) dominant in its field of operations? (A concern is not dominant in its field of operations when it does not exercise a controlling or major influence in a kind of business activity in which a number of business concerns are primarily engaged. In determining whether dominance exists, consideration shall be given to all appropriate factors including volume of business, number of

employees, financial resources, competitive status or position, ownership or control of materials, processes, patents and license agreements, facilities, sales territory, and nature of business activity.) ☐ Yes ☐ No

2. Does applicant (including affiliates) have total assets amounting to more than \$5,000,000? (Total assets are assets less any valuation reserves.) ☐ Yes ☐ No

3. Does applicant (including affiliates) have net worth in excess of \$2,500,000? ☐ Yes ☐ No

4. Did applicant (including affiliates) have net income after Federal income taxes averaging over \$250,000 per annum during the preceding 2 years (such average net income computed without benefit of any carryover loss)? ☐ Yes ☐ No

Applicant, through its duly authorized officer, hereby certifies that all information contained herein and in attachments hereto is true and complete to the best of its knowledge and belief:

(Name of applicant)
By _____
(Signature of officer)

(Title)

Date _____

Instructions for licensee.

1. If the answer to question 1 of either part A or part B is "yes," applicant cannot be considered to be a small business concern.

2. This declaration should not be signed by the licensee unless—

(a) All answers to questions in part A are "No."

or

(b) Answers to question 1 and the applicable paragraphs of question 2 of part B are "No."

3. This declaration may be signed by the licensee when there has been an investigation to obtain facts enabling the licensee to conclude that the applicant is a small business concern within the requirements of the Small Business Investment Act of 1958, as amended, and the regulations of SBA thereunder.

Licensee's certificate.

Based upon all the information available to us, including all information and facts obtained through our own investigation, the licensee named hereinabove has concluded that applicant is a small business concern within the requirements of the Small Business Investment Act of 1958, as amended, and the regulations of SBA thereunder.

By _____
(Signature of officer)

(Title)

Date _____

INSTRUCTIONS

General. This size status declaration is required by section 107.704(e) of the regulations under the Small Business Investment Act of 1958, as amended, to be executed by the business concern and the licensee prior to providing financing, or consulting and advisory services, to the concern.

The licensee is required to keep this completed form as a permanent part of the applicant's record with the licensee.

Section 107.12 of the regulations under the Small Business Investment Act of 1958, as amended, defines Small Business Concern for purposes of said act as follows:

"A small business concern for the purpose of receiving financial or other assistance from small business investment companies is a business concern which:

"(a) Together with its affiliates, is independently owned and operated, is not domi-

nant in its field of operation, does not have assets exceeding \$5,000,000, does not have net worth in excess of \$2,500,000, and does not have an average net income, after Federal income taxes, for the preceding 2 years in excess of \$250,000 (average net income to be computed without benefit of any carry-over loss); or

"(b) Qualifies as a small business concern under § 121.3-10 of part 121."

(A copy of part 121, Small Business Size Standards Regulation, is furnished with this form but should not be filed with the form.)

Affiliates. The fact that the applicant may be a division of a company, a subsidiary or affiliate, must be considered in making a size determination, even though the applicant and its affiliates are not engaged in the same field of operation. In making a size determination the total size of the applicant and its affiliates, regardless of business activity, must be considered.

Business concerns are affiliates of each other when either directly or indirectly (1) one concern (other than an investment company licensed under the Small Business Investment Act of 1958 or registered under the Investment Company Act of 1940, as amended), controls or has the power to control the other, or (2) a third party (other than an investment company licensed under the Small Business Investment Act of 1958 or registered under the Investment Company Act of 1940, as amended), controls or has the power to control both. In determining whether concerns are independently owned and operated and whether or not affiliation exists, consideration shall be given to all appropriate factors including common ownership, common management and contractual relationships.

The following is a list of factors, the existence of any of which raises a presumption of affiliation:

(1) **Common ownership.** When a significant portion of the concern under consideration is directly or indirectly held by an individual (or individuals) or an associated group (family, holding company, other business entity, etc.) which also holds a similar interest in another concern, they may be said to be affiliated.

(2) **Common control.** When those who exercise or may exercise significant control over the concern under consideration, can also exercise similar control over another concern, the concerns may be said to be affiliated. This control may arise as an incident of ownership, or it may arise through interlocking management such as common directors or common officers.

(3) **Affiliation by agreement.** Where there exist actual or tacit agreements relating to the operation of the concerns involved between individuals or associated groups having significant ownership or control of concerns, these concerns may be said to be affiliated. These agreements may embrace a wide variety of subjects, including use of common facilities (both physical and management facilities such as common general counsel, purchasing or selling agency, bank account, etc.), purchasing activities, methods of doing business, and the like.

PART B²

The questions in this part B need not be answered or completed unless any one or more of questions 2, 3, or 4 of part A on page 1 has been answered "yes."

1. Is applicant (including affiliates) dominant in its field of operations? (A concern is not dominant in its field of operations when it does not exercise a controlling or major influence in a kind of business activity in which a number of business concerns are primarily engaged. In determining whether dominance exists, consideration

shall be given to all appropriate factors including volume of business, number of employees, financial resources, competitive status or position, ownership or control of materials, processes, patents and license agreements, facilities, sales territory, and nature of business activity.) ☐ Yes ☐ No

2. Circle the title of the applicable question below, and answer only the questions which are under the title which has been circled:

a. Construction.

If applicant is primarily¹ engaged in construction, have its average annual receipts (including affiliates' receipts) exceeded \$5,000,000 for the preceding 3 fiscal years? ☐ Yes ☐ No

b. Food canning and preserving.

If applicant is primarily¹ engaged in the food canning and preserving industry, does its number of employees² (including affiliates' employees) exceed 500 persons exclusive of agricultural labor as defined in subsection (k) of the Federal Unemployment Tax Act, 68A Stat. 454, 26 U.S.C. (I.R.C. 1954) 3306? ☐ Yes ☐ No

c. Retail (other than groceries and fresh meats, or motor vehicles).

If applicant is primarily¹ engaged in business as a retailer of other than groceries and fresh meats, or motor vehicles, do its annual sales (including affiliates' sales) exceed \$1,000,000? ☐ Yes ☐ No

d. Retail groceries and fresh meats.

If applicant is primarily¹ engaged in making retail sales of groceries and fresh meats, do its annual sales (including affiliates' sales) exceed \$2,000,000? ☐ Yes ☐ No

e. Retail new or used motor vehicles.

If applicant is primarily¹ engaged in making retail sales of new or used motor vehicles, do its annual sales (including affiliates' sales) exceed \$3,000,000? ☐ Yes ☐ No

f. Service trades (other than hotel or power laundry).

If applicant is primarily¹ engaged in business as a service trade concern (other than a hotel or power laundry), do its annual receipts (including affiliates' receipts) exceed \$1,000,000? ☐ Yes ☐ No

g. Hotel or power laundry.

If applicant is primarily¹ engaged in business as a hotel or a power laundry, do its annual receipts (including affiliates' receipts) exceed \$2,000,000? ☐ Yes ☐ No

h. Taxicabs.

If applicant is primarily¹ a taxicab concern, do its annual receipts (including affiliates' receipts) exceed \$1,000,000? ☐ Yes ☐ No

i. Trucking and warehousing.

If applicant is primarily¹ engaged in the trucking or warehousing business, do its annual receipts (including affiliates' receipts) exceed \$3,000,000? ☐ Yes ☐ No

j. Wholesale.

If applicant is primarily¹ engaged in business as a wholesale concern, does its annual dollar volume of sales (including affiliates' sales) exceed \$5,000,000? (Any wholesale concern also engaged in manufacturing is not a "small business concern" unless it so qualifies under both this paragraph and paragraph k below.) ☐ Yes ☐ No

k. Manufacturer.

(1) If applicant is engaged in business primarily¹ as a manufacturer, state the "number of employees"² of applicant (including affiliates' employees) determined as specified in footnote 2 below ----- (number of employees).

(2) Does the "number of employees" stated in the previous questions exceed 1,000? (If answer is "yes" no further answers are necessary. If "number of employees" stated in (1) does not exceed 250, no further answers are necessary.) ☐ Yes ☐ No

(3) If the "number of employees" stated in (1) above is more than 250, but not more than 1,000 state the "Census classification code" number for the industry or activity in which applicant is primarily¹ engaged (as set out in schedule A of part 121 of SBA rules and regulations): ----- (Census classification code).

(4) Does applicant's "number of employees" stated in (1) above exceed the employment size standard for companies having its Census classification code number, as set out in schedule A of part 121 of SBA rules and regulations? ☐ Yes ☐ No

¹ If a concern is engaged in the production of a number of products or the providing of a variety of services which are classified into different industries, the appropriate standard to be used is that which has been established for the industry or activity in which it is primarily engaged. If no standard for an industry or activity has been set out in this form or in schedule A of part 121 of SBA rules and regulations, a licensee or applicant seeking a size determination should submit SBA Form 355 to the SBA regional office serving its area.

² "Number of employees" means the average employment of any concern (including affiliates) based on the number of persons employed during the pay period ending nearest the 15th of the third month in each calendar quarter for the preceding four quarters.

³ **Certificate of competency.** Section 121.3-10(a) provides for eligibility as a small business concern which has been issued a certificate of competency, when such concern is seeking funds to finance a Government contract. This situation is omitted from part B of this form because ordinarily such contracts do not require financing for a term of 5 years or more.

ICL -----
(To be supplied by SBA)

UNITED STATES OF AMERICA
SMALL BUSINESS ADMINISTRATION
[SBA Form 416, Revised 11-60]

LOAN APPLICATION

By a licensed small business investment company pursuant to section 303(b) of the Small Business Investment Act of 1958, as amended.

NOTE: Licensee must follow instructions on back hereof if application is to be considered by SBA.

1. Applicant licensee.

a. Exact corporate name of licensee-----

Street-----
City and zone-----
State-----

a corporation licensed under the Small Business Investment Act of 1958, as amended.

b. SBA license identification number-----

c. Person to contact -----, Telephone number -----

2. Amount applied for. Pursuant to Section 107.402 of the regulations under the act, as amended, the undersigned licensee does hereby request SBA to lend to the licensee \$-----

3. Representations and signature. a. The undersigned licensee does hereby certify that the funds to be represented by the proceeds of the loan hereby applied for are not otherwise available.

b. The undersigned represents that to the best of its knowledge and belief, the licensee will be able to repay the loan for which application is hereby made in accordance with

PROPOSED RULE MAKING

the terms described in the note and loan agreement.

c. The undersigned licensee does hereby certify that it will earmark all of the items proposed for earmarking in Exhibit d attached hereto, and that none of the items proposed for earmarking is in default as to interest or principal payments or as to any other covenants relating to such items.

d. The undersigned licensee does hereby authorize SBA to date the note and loan agreement and to list in the loan agreement the acceptable earmarked securities submitted as exhibit d.

e. All the statements made in this loan application and exhibits hereto are considered material representations, and all exhibits are a material part hereof and are incorporated by reference as though set out in full in this loan application.

(Name of licensee)
[CORPORATE SEAL] By (Signature of authorized executive officer)
(Typed name)
(Title)

Attest:

(Secretary of licensee)

Dated this _____ day of _____, 19____

INSTRUCTIONS

Number of copies. An original and two copies of this application form, to which shall be attached all applicable exhibits (listed hereunder) properly identified, and complete in all respects, also in triplicate (unless otherwise instructed) shall be submitted to the appropriate regional office of SBA.

Exhibits to be attached to this application form. a. Copies of certified resolution of the board of directors of the licensee authorizing this borrowing.

b. Latest statement of financial condition of the licensee on SBA Form 468, verified by an authorized officer of the licensee as of a date not more than 30 days prior to the date of this application.

NOTE: If this application is filed with SBA within 30 days of the date of filing a required SBA Form 468, a reference should be made on a separate paper marked Exhibit 416-b, "Refer to statement of financial condition as of (date) filed with SBA on (date)."

c. Statements of income and expense, and schedule of surplus reconciliations of the licensee, on SBA Form 468, verified by an authorized officer of the licensee, covering the period since the date of the last such statements filed with SBA, and ending on a date not more than 30 days prior to the date of this application.

NOTE: If this application is filed with SBA within 30 days after the date of filing a required SBA Form 468, a reference should be made on a separate paper marked Exhibit 416-c, "Refer to the statements of income and expense, and schedule of surplus reconciliations for the period ending (date) filed with SBA on (date)."

d. Schedule of portfolio items proposed for earmarking, containing the following designated information:

Loans and debt securities (with seven columns thereunder):

1. The name of the borrower or issuer and type of business.

2. The date and the face amount of the debt security.

3. The amount of the licensee's cash investment in the debt security (net funds advanced).

4. The unpaid balance of the licensee's cash investment (net funds advanced).

5. The maturity date.

6. Repayment terms.

7. A brief description of the collateral, if any.

Stocks (with six columns thereunder):

1. The name of the issuer and type of business.

2. The date of issue and number of shares.

3. The Certificate No.(s).

4. The licensee's cash investment (cost).

5. The market, or fair value determined by licensee's board of directors.

6. The type of stock and its rights as to dividends, voting, liquidation, etc.

Participation agreements. In addition to the information requested for loans and debt securities and stocks, furnish a copy of the trust indenture or other evidence of the terms of the participation agreement.

e. One executed and four conformed copies of a note.

f. One executed and four conformed copies of a loan agreement.

NOTE: Copies of note and loan agreement forms may be obtained from the nearest SBA regional office. If the loan is approved, SBA will complete the note and loan agreement as authorized by the applicant licensee in Item 3d and furnish to the licensee a conformed copy of the note and of the loan agreement.

g. Agreement (SBA Form 158) as to compensation for services rendered or to be rendered to applicant in connection with this application.

NOTE: It is not required that an applicant employ representatives in order to file a loan application with SBA. Copies of SBA Form 158 may be obtained from the nearest SBA regional office.

Disbursement. Whenever any disbursement of an approved loan is requested by the borrowing licensee the written certification and statement required by section 107.709 of the regulations, as amended, must be made on SBA Form 420 and submitted to the appropriate regional office of SBA.

If immediate disbursement is requested of all or any part of the loan applied for by this application, completed SBA Form 420 in quadruplicate should be attached to and submitted with this application.

UNITED STATES OF AMERICA

SMALL BUSINESS ADMINISTRATION

[SBA Form 420, Revised 11-60]

CERTIFICATION AND STATEMENT
AND REQUEST FOR FUNDS

Under sections 302(a) or 303(b) of the Small Business Investment Act of 1958, as amended.

Instructions. This instrument is to be submitted in quadruplicate to the appropriate SBA regional office by a licensee under the Small Business Investment Act of 1958, as amended, prior to the disbursement of any funds by SBA to the licensee under the authority of section 302(a) or section 303(b) of the act. This instrument includes a request for immediate disbursement and should not be submitted until definite plans for employment of the requested funds have been made, so that such funds may be employed by the licensee in accordance with sections 304 or 305 of the act within 60 days after receipt thereof. This instrument should be executed by an authorized executive officer and attested to by the secretary of the licensee.

1. a. Exact corporate name of licensee

Street _____
City and zone _____
State _____

a corporation licensed under the Small Business Investment Act of 1958, as amended.

b. SBA license identification number

REQUEST FOR DISBURSEMENT OF FUNDS

2. If for subordinated debentures (under sec. 302(a) of the act) pursuant to commitment of SBA state:

a. Date of commitment letter _____

b. Original amount of commitment, \$_____

c. Amount previously disbursed by SBA pursuant to commitment, \$_____

d. Amount herein requested to be disbursed, \$_____

3. If for operating loan (under sec. 303(b) of the act) pursuant to loan application (SBA Form 416) state: (If loan has not been authorized complete item d. only.) (If loan has been authorized, complete all items.)

a. Date of SBA authorization _____

b. Amount of loan authorized by SBA, \$_____

c. Amount previously disbursed by SBA pursuant to authorization, \$_____

d. Amount herein requested to be disbursed, \$_____

4. Agreement of nonemployment of SBA personnel. In consideration of the making by SBA to licensee of all or any part of the disbursement applied for in this instrument, licensee hereby agrees with SBA that licensee will not, for a period of 2 years after disbursement by SBA to licensee of said funds, or any part thereof, employ or tender any office or employment to, or retain for professional services, any person who, on the date of such disbursement, or within one year prior to said date, (a) shall have served as an officer, attorney, agent or employee of SBA and (b), as such, shall have occupied a position or engaged in activities which SBA shall have determined, or may determine, involve discretion with respect to the granting of assistance under the Small Business Investment Act of 1958, or said act as it may be amended from time to time.

5. Additional information or remarks. Licensee may submit any additional information or remarks in qualification of this application in accordance with section 107.709(b) of the regulations under the Small Business Investment Act of 1958, as amended.

6. **Certification and statement.** In compliance with section 107.709 of the regulations, the following certification and statement is executed and delivered to SBA: In order to induce Small Business Administration to disburse the funds requested, as indicated in item 2d or item 3d above, the undersigned licensee does hereby certify that:

A. (1) The licensee has not violated and is not in violation of any provisions of the act, its charter, its license, or any regulations issued under the act.

(2) The capital of such licensee is not impaired, as defined in section 107.303(b) of the regulations under the act.

(3) The licensee will employ such funds in accordance with the purposes and provisions of section 304 and/or section 305 of the act within 60 days after receipt thereof, subject to further extensions at the discretion of SBA.

(4) Such funds will not be knowingly or intentionally employed by the licensee for any purpose which would cause a substantial increase of unemployment in any area of the country.

(5) The licensee has not paid or incurred any obligation to pay, directly or indirectly, any fee or other compensation for obtaining the funds hereby applied for.

(6) There are no suits pending against the licensee; none of the items earmarked or proposed for earmarking are in default as to any interest or principal payments or as to any other covenants relating to such items;

the present total of the unpaid balances of licensee's cost of the items earmarked or proposed for earmarking is at least 150 percent of the amount of the loan; the total of all capital stock and surplus accounts of the licensee as of the date of this request for funds is \$----- (any change in these items since the date of the loan application to be shown by exhibit identified and attached hereto); there has been no adverse change in the financial condition, organization, operations, business prospects, personnel or any other condition since the date of:

- a. The loan application -----
- b. The date of the preceding disbursement ----- (Licensee will fill in the date on the applicable line and draw a line through the other.)

(7) All information contained above and in exhibits attached hereto is true and complete to the best of the knowledge and belief of the licensee and the undersigned.

B. If this is a request for disbursement of funds by SBA in payment for subordinated debentures of the licensee, the sum of the following amounts will not exceed \$300,000 immediately after the requested disbursement:

(1) The amount of combined capital stock, and paid-in surplus of the licensee, less the amount, if any, expended for organization expenses;

(2) The total amount previously disbursed by SBA in payment for subordinated debentures of licensee; and

(3) The amount which SBA is now being requested to disburse, as stated in item 2(d) of this request for funds.

C. If this is a request for disbursement by SBA of an operating loan pursuant to section 303(b) of the act:

(1) The total amount of the outstanding balances due SBA by the licensee under this section including the amount of the disbursement requested herein does not exceed 50 percent of the licensee's combined capital stock and paid-in surplus (including as part of such stock and surplus the amount, if any, of the outstanding balance of subordinated debentures due SBA pursuant to section 302(a) of the act).

(2) The total amount previously disbursed outstanding indebtedness (other than the subordinated debentures, if any, due SBA pursuant to section 302(a) of the act) including the amount of the disbursement requested herein does not exceed 400 percent of the licensee's combined capital stock and paid-in surplus (including as part of such stock and surplus the amount, if any, of the outstanding balance of subordinated debentures due SBA pursuant to section 302(a) of the act).

By _____
 (Licensee)

 (Signature)

 (Typed name)

 (Title)

Attest:

 (Secretary of licensee)

Dated this _____ day of _____, 19__

[SBA Form 468 (2-61)]

FINANCIAL REPORT

License No. _____
 Name of licensee _____
 City and State _____

PART I

STATEMENT OF FINANCIAL CONDITION AS OF _____, 19__

ASSETS

Current Assets

1. Cash on hand and in banks (schedule 8).

2. U.S. Government obligations, direct and fully guaranteed (schedule 9) (market value \$-----).

3. Notes receivable.

4. Accounts receivable.

(a) Less: Allowance for uncollectibles.

5. Accrued interest receivable.

(a) Less: Allowance for uncollectibles.

6. Loans (sec. 305) maturing within 1 year (schedule 3).

(a) Less: Participation by others (schedule 10).

(b) Less: Amount sold with recourse.

7. Debt securities of SBCs (sec. 304) maturing within 1 year:

(a) Convertible (schedule 4).

(b) With stock purchase rights (schedule 4).

(c) Divested of stock rights (schedule 4).

(d) Less: Participation by others (schedule 10).

(e) Less: Amount sold with recourse.

8. Funds in escrow pending closing of financing.

9. Due from directors, officers, and employees (schedule 11).

10. Other current assets (schedule 12).

11. Total current assets.

Loans and Investments

12. Loans (sec. 305) maturing after 1 year (schedule 3).

(a) Less: Participation by others (schedule 10).

(b) Less: Amount sold with recourse.

(c) Net loans maturing after 1 year.

(d) Less: Allowance for uncollectibles (schedule 5).

13. Debt securities of SBCs (sec. 304) maturing after 1 year:

(a) Convertible (schedule 4).

(b) With stock purchase rights (schedule 4).

(c) Divested of stock rights (schedule 4).

(d) Less: Participation by others (schedule 10).

(e) Less: Amount sold with recourse.

(f) Net debt securities of SBCs maturing after 1 year.

(g) Less: Allowance for losses (schedule 6).

14. Capital stock SBCs:

(a) Convertible (schedule 7).

(b) With stock purchase rights (schedule 7).

(c) Other (schedule 7).

(d) Less: Allowance for losses.

15. Amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities (schedule 13).

(a) Less: Participation by others.

(b) Less: Allowance for uncollectibles.

16. Assets acquired in liquidation of loans and debt securities (schedule 14).

(a) Less: Participation by others.

(b) Less: Allowance for losses.

17. Total loans and investments.

Other Assets

18. Corporate premises owned—land.

19. Corporate premises owned—building.

(a) Less: Accumulated depreciation.

20. Furniture and equipment.

(a) Less: Accumulated depreciation.

21. Due from directors, officers, and employees (schedule 11).

22. All other (schedule 12).

23. Total other assets.

24. Total.

LIABILITIES, CAPITAL STOCK, AND SURPLUS

Current Liabilities

25. Obligations payable to SBA, maturing within 1 year (schedule 15).

26. Obligations payable to other than SBA, maturing within 1 year (schedule 16).

27. Accounts payable.

28. Accrued interest.

29. Accrued salaries.

30. Accrued taxes on income.

31. Other accruals.

32. Dividends payable.

33. Amounts due directors, officers, and employees.

34. Federal taxes withheld.

35. State and city taxes withheld.

36. Unapplied receipts.

37. Advance interest payments.

38. Miscellaneous trust receipts.

39. Other.

40. Total current liabilities.

Long-Term Liabilities

41. Obligations payable after 1 year.

(a) For funds borrowed from SBA (sec. 303) (schedule 15).

(b) For funds borrowed from other than SBA (schedule 16).

42. Mortgages payable (schedule 16).

43. Amounts due directors, officers, and employees.

44. Unamortized premium on debentures payable.

45. Other.

46. Debenture, subordinated, issued to SBA (sec. 302) (schedule 15) (see statement below).

47. Total liabilities.

Capital Stock and Surplus

48. Capital stock (schedule 17).

49. Paid-in surplus (schedule 1).

50. Less: ---- shares of treasury stock at cost.

51. Total.

52. Capital stock subscribed.

(a) Less subscriptions receivable.

53. Total.

54. Retained earnings, net income (schedule 1).

55. Retained earnings, net realized gain on investments (schedule 1).

56. Appropriated retained earnings (schedule 1).

57. Total capital stock and surplus.

58. Total.

STATEMENT OF STATUTORY CAPITAL AND SURPLUS

The subordinated debenture issued to the Small Business Administration under section 302(a) of the Small Business Investment Act of 1958, as amended, shall be deemed a part of the capital and surplus of the company for purposes of sections 302(a), 303(b), and 306 of the act, as follows:

1. Debenture, subordinated, issued to SBA ----- (a).

2. Capital stock and surplus.

3. Total.—(a) The Small Business Administration has made a commitment to advance an additional \$----- under its agreement with the company to purchase a subordinated debenture.

VERIFICATION

Part I of the financial report for the fiscal year to date comprising the ----- months ended -----, 19__, submitted by the ----- (licensee), to the Small Business Administration, and consisting of statement of financial condition, statement of statutory capital and surplus, statement of income and expense, statement of realized gain or loss on investments, and schedule(s) -----, on SBA Form 468, is hereby certified to be correct to the best of my knowledge and belief.

 (Chief financial officer)

 (Title)

Date -----

Schedule 2

(Name of licensee)

Report for the fiscal year to date comprising the
..... months ended 19.....

OPERATING EXPENSES

Item	Current period -- months	Fiscal year to date
(1)	(2)	(3)
1. Advertising and promotional costs		
2. Appraisal, consulting, and engineering costs		
3. Auditing and examination costs		
4. Communications		
5. Cost of space occupied		
6. Depreciation of corporate premises owned—building		
7. Depreciation of furniture and equipment		
8. Directors' and stockholders' meetings costs		
9. Insurance		
10. Investigation and financial service costs		
11. Investment adviser and supervisory costs		
12. Legal services		
13. Miscellaneous services and supplies		
14. Salaries of officers		
15. Salaries of other employees		
16. Taxes, excluding Federal and State income taxes		
17. Travel		
18. Uncollectible notes and accounts		
19. Uncollectible interest receivable		
20. Uncollectible loans		
21. Uncollectible amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities		
22. Maintenance and repairs		
23. Retirement benefits expense		
24. Organization expense		
25. Estimated losses on debt securities		
26. Estimated losses on capital stock of SBCs		
27. Estimated losses on assets acquired in liquidation of loans and debt securities		
28.		
29.		
30.		
31.		
32.		
33. Total (p. 3, item 23)		

VERIFICATION

Parts I and II of the financial report for the fiscal year
to date comprising the months ended
19....., submitted by the to the
(Licensee)Small Business Administration, and consisting of statement
of financial condition, statement of statutory
capital and surplus, statement of income and expense,
statement of realized gain or loss on investments, and
schedules 1 to 7, inclusive, on SBA Form 468, are hereby
certified to be correct to the best of my knowledge and
belief.

Date

Chief financial officer

Title

Schedule 3

Name of licensee

Report for the months ended 19.....

LOANS (SEC. 305) (INCLUDING PARTICIPATIONS BOUGHT OR SOLD)

Name, address, type of business of small business concern (debtor) (a)	Interest rate per annum	Date of loan, maturity date, amortiza- tion plan, etc.	Unpaid principal balance of loan at be- ginning of period	Addi- tions during period	Deductions during period	Unpaid principal balance of loan at close of period	Amounts in excess of net funds ad- vanced included in unpaid prin- cipal balance		Unpaid balance of net funds advanced (cost) at close of period (b)— maturity	
							Dis- count	Fees and other charges	Within 1 year	After 1 year
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total	XXX	XXX							(P. 1, item 6)	(P. 1, item 12)

(a) State type of business in which borrower is engaged. Standard Industrial Classification Code numbers, as listed on p. 5 of SBA Form 477, may be used.

(b) Identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate, and each "participation purchased" with the letters (PP).

Schedule 4

Name of licensee

Report for the months ended 19.....

DEBT SECURITIES OF SBC'S (SEC. 304) (INCLUDING PARTICIPATIONS BOUGHT OR SOLD)

Name, address, type of business of small business concern (Issuer) (a)	Date of security maturity date interest rate, amortiza- tion plan	Unpaid principal balance of security at be- ginning of period	Addi- tions during period	Deduc- tions during period	Unpaid principal balance of security at close of period	Amounts in ex- cess of net funds advanced included in un- paid principal balance		Unpaid balance of net funds advanced (cost) at close of period (b)		Market or fair value as deter- mined by the board of direc- tors	Percent (c)
						Dis- count	Fees and other charges	Maturity			
								Within 1 year	After 1 year		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	XXX							(P. 1, item 7(c))	(P. 1, item 13(c))		XXX

(a) State type of business in which small business concern is engaged. Standard Industrial Classification Code numbers, as listed on p. 5 of SBA Form 477, may be used. Group the debt securities by type under the headings: "Convertible," "With stock purchase rights," and "Divested of stock rights," with subtotals entered in each column, as appropriate, or use a separate sheet for each type.

(b) Identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate, and each "participation purchased" with the letters (PP).

(c) Show in col. (12) for each small business concern the percentage of such concern's voting securities (including those necessary to cover conversion of, or exercise of stock rights attached to, the debt securities described in this schedule) which can be obtained by the reporting company upon conversion of convertible debt securities and exercise of stock purchase warrants or options attached to debt securities.

PROPOSED RULE MAKING

Schedule 5

Name of licensee Report for the months ended 19....

DELINQUENT LOANS (SEC. 305) (NOT SHOWN SEPARATELY ON STATEMENT OF FINANCIAL CONDITION) ALLOWANCE FOR UNCOLLECTIBLE LOANS

Name, address of small business concern (debtor)	Delinquent loans			Allowance for uncollectible loans				
	Total outstanding balance	Installments due and unpaid		Balance at beginning of period	Additions		Deductions	Balance at close of period
		Principal	Interest		Charged to expense	Charged to other accounts		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Total.....	XXX	XXX	XXX					
2. General allowance for uncollectible loans (a).....	XXX	XXX	XXX					
3. Total.....								P. 1, item 12(d)

(a) This line will be used only if the allowance for uncollectible loans is based upon a percentage of loans made.

Schedule 6

Name of licensee Report for the months ended 19....

DELINQUENT DEBT SECURITIES (SEC. 304) (NOT SHOWN SEPARATELY ON STATEMENT OF FINANCIAL CONDITION) ALLOWANCE FOR LOSSES ON DEBT SECURITIES

Name, address of small business concern (debtor)	Delinquent debt securities			Allowance for losses on debt securities			
	Total outstanding balance	Installments due and unpaid		Balance at beginning of period	Additions	Deductions	Balance at close of period
		Principal	Interest				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Total.....	XXX	XXX	XXX				
2. General allowance for losses on debt securities (a).....	XXX	XXX	XXX				
3. Total.....							(P. 1, item 13(g))

(a) This line will be used only if the allowance for losses on debt securities is based upon a percentage of debt securities acquired.

Name of licensee _____ Report for the _____ months ended _____ 19____

CAPITAL STOCK OF SBC'S
ALLOWANCE FOR LOSSES ON CAPITAL STOCK OF SBC'S

Name, address, type of business of small business concern (issuer) (a)	Date acquired	Type and class	Par or stated value per share	Number of shares	Balance at cost beginning of period	Additions during period (cost)	Deductions during period (cost)	Balance at cost close of period (b)	Allowance for losses at close of period	Market or fair value as determined by the Board of Directors	Percent (c)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total.....	XXX	XXX	XXX	XXX	-----	-----	-----	(P. 1, item 14(c))	(P. 1, item 14(d))	-----	XXX

(a) State type of business in which small business concern is engaged. Standard Industrial Classification Code numbers, as listed on p. 5 of SBA Form 477, may be used. Group the capital stock by type under the headings, "Convertible," "With stock purchase rights," and "Other," with subtotals entered in each column, as appropriate, or use a separate sheet for each type.

(b) Identify each item "pledged" or "earmarked" by letter (P) or letter (E), as appropriate.

(c) Show in col. (12) for each small business concern the percentage of such concern's voting securities (including those necessary to cover conversion of, or exercise of stock rights attached to, the capital stock described in this schedule) represented by voting stock held plus the voting securities which can be obtained by the reporting company upon conversion of convertible stock and exercise of stock purchase warrants or options attached to stock.

Schedule 8

(Name of Licensee)

, 19---

PART III

CASH ON HAND AND IN BANKS

Name of depository (1)	Location of depository (2)	Amount (3)
1. General funds—demand balances with:		
(a) _____	_____	_____
(b) _____	_____	_____
(c) _____	_____	_____
(d) _____	_____	_____
(e) _____	_____	_____
(f) _____	_____	_____
(g) _____	_____	_____
(h) _____	_____	_____
(i) _____	_____	_____
2. Cash items in process of collection _____	XXX	_____
3. Petty cash _____	XXX	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. Total cash _____	XXX	_____

VERIFICATION

Parts I, II, and III of the Financial Report for the fiscal year to date comprising the _____ months ended _____, 19____, submitted by the _____ to the Small Business Administration, and con-
(Licensee)

(Licensee)
 sisting of statement of financial condition, statement of statutory capital and surplus, statement of income and expense, statement of realized gain or loss on investments, and Schedules I to 20, inclusive, on SBA Form 468, are hereby certified to be correct to the best of my knowledge and belief.

Date_____

Chief financial officer-----
Title

VERIFICATION

I hereby attest that the minutes of the meeting of the Board of Directors of the _____
on _____, 19____, show that the Board, at such meeting, reviewed and approved Parts I, II, and III of the _____ (Licensee)
Financial Report of such company for the fiscal year to date comprising the _____ months ended _____, 19____,
covered by the above verification of the chief financial officer.

Date-----

Secretary _____

Schedule 11

Name of licensee		Report for the months ended 19				
DUE FROM DIRECTORS, OFFICERS, AND EMPLOYEES						
Name and title (1)	Balance receivable at beginning of period (2)	Deductions during period		Balance receivable at close of period		
		Additions during period (3)	Amounts written off (a) (4)	Collections (5)	Current (6)	Noncurrent (7)
Total					(P. 1, item 9)	(P. 1, item 21)

(a) Give complete details in footnote or on attached schedule.

Schedule 12

(Name of licensee)	
19	
SUNDY ASSETS	
(P. 1—items 3, 4, 5, 8, 10, and 22)	
Description of items (1)	Amount (2)

Schedule 9

U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED						
Name of licensee		Date		Date		
Name of issuer and title of issue (1)	Interest rate (2)	Details of issue		Principal amount at par of bonds and notes (5)	Amount at cost carried in balance sheet (6)	Value based on current quotations at balance sheet date (7)
		Call date (3)	Maturity date (4)			
Total	XXX	XXX	XXX	XXX		

Schedule 10

PARTICIPATIONS SOLD TO OTHER LENDING INSTITUTIONS							
Name of licensee	Date	Name of purchaser of participation	Original amount of participation at cost	Terms		Balance of participation at cost at close of period	
				Interest rate (5)	Maturity amortization plan, etc. (6)		
Name, address of small business concern (debtor) (1)	(2)	(3)	(4)	(5)	(6)	(7)	
							(8)
1. Total	L	XXX		XXX	XXX	(P. 1, item 6(a))	(P. 1, item 12(a))
2. Total	DS	XXX		XXX	XXX	(P. 1, item 7(d))	(P. 1, item 13(d))

Schedule 15

Name of licensee		Report for the months ended 19									
OBLIGATIONS PAYABLE TO SBA											
Description of obligations (Sec. 302 Debenture) (Sec. 303 Loan(s))	Terms			Balance payable at beginning of period	Additions during period	Deductions during period	Balance payable at close of period				
	Interest rate	Maturity, amortization plan, etc.	Maturity				Within 1 year	After 1 year			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)				
Total	XXX	XXX					(P. 2, item 4(a), 46)				

(a) Identify type of obligation by reference to sec. 302 or sec. 303 of the Small Business Investment Act of 1958, as amended.

Schedule 16

Name of licensee		Report for the months ended 19									
OBLIGATIONS PAYABLE FOR FUNDS BORROWED FROM OTHER THAN SBA											
Name and address of creditor	Description of obligations	Terms		Balance payable at beginning of period	Additions during period	Deductions during period	Balance payable at close of period				
		Interest rate	Maturity, amortization plan, etc.				Maturity	Within 1 year	After 1 year		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
Total	XXX	XXX	XXX					(P. 2, item 41(b), 42)			

Schedule 13

Name of licensee		Report for the months ended 19									
AMOUNTS DUE FROM DEBTORS ON SALE OF ASSETS ACQUIRED IN LIQUIDATION OF LOANS AND DEBT SECURITIES ALLOWANCE FOR UNCOLLECTIBLES											
Name and address of debtor	Description of receivables	Amounts due from debtors					Allowance for uncollectibles at close of period (a)				
		Interest rate	Maturity, amortization plan, etc.	Balance at beginning of period	Additions during period	Deductions during period					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
Total	XXX	XXX					(P. 1, item 15)	(P. 1, item 15(b))			

(a) On reverse side of this schedule give complete details of any charges to this account during the period representing the write-off of amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.

Schedule 14

Name of licensee		Report for the months 19									
ASSETS ACQUIRED IN LIQUIDATION OF LOANS AND DEBT SECURITIES ALLOWANCE FOR LOSSES											
Name, address of small business concern (former debtor)	Description of property	Assets acquired					Allowance for losses at close of period (a)	Market, or fair value as determined by the board of directors			
		Balance at beginning of period	Additions during period	Deductions during period	Balance at close of period						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)				
Total	XXX						(P. 1, item 16(b))				

(a) On reverse side of this schedule give complete details of any charges to this account during the period representing the write off of assets acquired in liquidation of loans and debt securities.

Schedule 19

Name of licensee ----- Date -----

DETACHED STOCK PURCHASE WARRANTS OR OPTIONS ON STOCK OF SEC'S

Name, address of small business concern (issuer)	Number of shares called for by warrant or option	Type and class of stock called for by warrant or option	Grant and expiration dates of warrant or option	Price or prices (with dates) at which exercisable	Total number of SEC shares outstanding plus those optioned as shown herein		Percent (a)
					Voting	Nonvoting	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(a) Show in col. (8) for each small business concern the percentage of such concern's voting securities, including those called for by the stock purchase warrants or options described in this schedule, which can be obtained by the reporting company upon exercise of such warrants or options.

Schedule 20

Name of licensee ----- Date -----

OPTIONS ON LICENSEE'S CAPITAL STOCK

Identification of person or entity holding option	Number of shares of stock optioned	Type and class of stock called for by option	Grant and expiration dates of option	Price or prices (with dates) at which option exercisable	Fair market value, per share, of stock called for at date option was granted	Price of option as percent of fair market value at date of granting	Provisions in case of death, retirement, etc.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Schedule 17

Name of licensee ----- Date -----

CAPITAL STOCK OF LICENSEE

Type and class, par or stated value	Number of shares authorized by charter	Shares issued and not retired or cancelled		Number of shares		Amount outstanding at par or stated value	Amount subscribed at subscription price	Amount of subscriptions receivable	Number of shares reserved for officers and employees	Number of shares reserved for options and other rights
		Number	Amount at par or stated value	Held by or for account of issuer	Outstanding					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total										

Schedule 18

(Name of Licensee) -----

19

COMMITMENTS OUTSTANDING

Name of small business concern or financing institution	Type of financing (Sec. 304) (Sec. 305)	
	(1)	(2)
(1)	(2)	(3)

PART I

STATEMENT OF FINANCIAL CONDITION

Assets

Item

1. *Cash on hand and in banks.* State the total of all demand deposits, cash items in process of collection, and the petty cash fund.
2. *U.S. Government obligations, direct and fully guaranteed.* State at cost the total investment in direct obligations of the United States Government and those obligations guaranteed as to principal and interest by the United States Government. (Increase in redemption value of United States Savings bonds purchased at less than face value may be considered cost for this purpose.) State current market value parenthetically.
3. *Notes receivable.* State the total unpaid principal amount of miscellaneous notes receivable, except notes representing amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.
4. *Accounts receivable.* State the combined total of all amounts due for (1) advisory, consulting, appraisal, financial, and miscellaneous services rendered, (2) services rendered to "participating" companies on their participations in loans (section 305), debt securities (section 304), assets acquired in liquidation of loans and debt securities, and amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities of the "initiating" company, and (3) making funds available on a deferred basis to "initiating" companies in connection with their financing of, or commitments to finance, small business concerns and (as an "initiating" company) making funds available on a deferred basis on commitments to finance small business concerns; the amount of declared dividends receivable on capital stock of small business concerns; and miscellaneous amounts due on open account.
 - (a) *Less: Allowance for uncollectibles* (applicable to items 3 and 4). State the amount of the valuation reserve provided for estimated losses on the foregoing receivables.
5. *Accrued interest receivable.* State the total amount of (1) interest accrued on loans to and debt securities of small business concerns, United States Government obligations (direct and fully guaranteed), notes receivable, sales contracts, and other interest-bearing amounts due from debtors, including funds placed in escrow pending the closing of financing; (2) the full amount of interest accrued on loans (section 305) and debt securities (section 304) participated in by others, less amount due "participating" companies; and (3) interest accrued on the amount of the company's participation in loans (section 305) and debt securities (section 304) initiated by others.
 - (a) *Less: Allowance for uncollectibles.* State the amount of the valuation reserve provided for estimated losses of accrued interest receivable.
- 6 and 12. *Loans (section 305).* Show the current and noncurrent portions, respectively, of the unpaid balance of net funds advanced on loans to small business concerns pursuant to section 305 of the Small Business Investment Act of 1958, as amended. Secured obligations acquired from small business concerns which carry the right through conversion or through exercise of stock purchase warrants or options by the holder thereof to acquire stock in the small business concerns may be obtained only under section 304 of the Act and are not to be included in these items but in the appropriate subdivisions of items 7 and 13.

STATEMENT OF FINANCIAL CONDITION—Con.

Assets—Continued

Item

- 6(a) and 12(a). *Less: Participation by others.* State the outstanding balances of participations by other lending institutions in loans (section 305) which relate to the current and noncurrent portions of such loans, respectively.
- 6(b) and 12(b). *Less: Amount sold with recourse.* Show the current and noncurrent portions, respectively, of the net amount of the unpaid principal balance of loans to small business concerns sold with recourse upon the company in the event of default.
- 12(c). *Net loans maturing after one year.* Enter the balance resulting from the deduction of the appropriate amount opposite item 12(b) from item 12.
- 12(d). *Less: Allowance for uncollectibles.* State the amount of the valuation reserve provided for estimated losses on loans (section 305).
- 7 and 13. *Debt securities of SBCs (section 304):*
 - 7(a) and 13(a). *Convertible.*
 - 7(b) and 13(b). *With stock purchase rights.*
 - 7(c) and 13(c). *Divested of stock rights.* Show opposite the appropriate items the current and noncurrent portions, respectively, of the unpaid balance of net funds advanced on small business concerns' convertible debt securities, debt securities with stock purchase rights (warrants or options), and debt securities divested of stock rights, all acquired by the company pursuant to section 304 of the Small Business Investment Act of 1958, as amended.
 - 7(d) and 13(d). *Less: Participation by others.* State the outstanding balances of participations by other lending institutions in debt securities (section 304) which relate to the current and noncurrent portions of such debt securities, respectively.
 - 7(e) and 13(e). *Less: Amount sold with recourse.* Show the current and noncurrent portions, respectively, of the net amount of the unpaid principal balance of small business concerns' debt securities sold with recourse upon the company in the event of default.
 - 13(f). *Net debt securities of SBCs maturing after one year.* Enter the balance resulting from the deduction of the appropriate amount opposite item 13(e) from the appropriate amount opposite item 13(c).
 - 13(g). *Less: Allowance for losses.* State the amount of the valuation reserve provided for estimated losses on convertible debt securities, debt securities with attached stock purchase warrants or options, and debt securities divested of stock rights (all section 304).
8. *Funds in escrow pending closing of financing.* State the amount of funds in escrow pending the closing of financing for small business concerns.
- 9 and 21. *Due from directors, officers, and employees.* Show the current and noncurrent portions, respectively, of the unpaid balance of amounts advanced to directors, officers, and employees.
10. *Other current assets.* State the total of all current amounts due the company not provided for elsewhere.
11. *Total current assets.* Enter the total of the appropriate amounts opposite items 1, 2, 4(a), 5(a), 6(b), 7(e), 8, 9, and 10.
12. (See item "6 and 12" above.)
13. (See item "7 and 13" above.)
14. *Capital stock of SBCs:*
 - (a) *Convertible.*
 - (b) *With stock purchase rights.*
 - (c) *Other.*

STATEMENT OF FINANCIAL CONDITION—Con.

Assets—Continued

Item

- State opposite the appropriate items the value at cost of small business concerns' convertible capital stock, capital stock with stock purchase rights (warrants or options), and other capital stock (without conversion privileges or stock purchase rights), all acquired by the company pursuant to section 304 of the Small Business Investment Act of 1958, as amended.
 - (d) *Less: Allowance for losses.* State the amount of the valuation reserve provided for estimated losses on small business concerns' convertible capital stock, capital stock with attached stock purchase warrants or options, and other capital stock of such concerns owned by the company.
15. *Amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.* State the total of the unpaid balances of accounts, notes, sales contracts, purchase money mortgages, etc., evidencing indebtedness to the company arising from the sale of assets acquired in liquidation of loans (section 305) and debt securities (section 304).
 - (a) *Less: Participation by others.* State the outstanding balance of participations by other lending institutions in amounts due the company from debtors on sale of assets acquired in liquidation of loans (section 305) and debt securities (section 304).
 - (b) *Less: Allowance for uncollectibles.* State the amount of the valuation reserve provided for estimated losses of amounts due from debtors on sale of assets acquired in liquidation of loans (section 305) and debt securities (section 304).
16. *Assets acquired in liquidation of loans and debt securities.* State, as recorded in the books of account, the company's investment in assets acquired by foreclosure or otherwise in liquidation of loans (section 305) and debt securities (section 304), including judgments and sheriffs' certificates.
 - (a) *Less: Participation by others.* State the outstanding balance of participations by other lending institutions in assets acquired by the company in liquidation of loans (section 305) and debt securities (section 304).
 - (b) *Less: Allowance for losses.* State the amount of the valuation reserve provided for estimated losses on assets acquired in liquidation of loans (section 305) and debt securities (section 304).
17. *Total loans and investments.* Enter the total of the appropriate amounts opposite items 12(d), 13(g), 14(d), 15(b), and 16(b).
18. *Corporate premises owned—land.* State the actual cost of acquisition of the land used as the site of the company's office quarters, plus the actual cost of any improvements (benefits) applicable to the land.
19. *Corporate premises owned—building.* State the actual cost of acquisition of the building used as the company's office quarters, plus the actual cost of any improvements applicable to the building.
 - (a) *Less: Accumulated depreciation.* State the amount of the valuation reserve provided for depreciation of the building and other depreciable improvements of corporate premises owned.
20. *Furniture and equipment.* State the total cost of furniture, fixtures, and equipment (including automobiles) owned by the company.
 - (a) *Less: Accumulated depreciation.* State the amount of the valuation reserve provided for depreciation of furniture, fixtures, and equipment.
21. (See item "9 and 21" above.)

STATEMENT OF FINANCIAL CONDITION—Con.

Assets—Continued

Item

22. *All other.* State the total amount of assets at cost not provided for elsewhere, such as unamortized organization costs, recoverable amounts advanced for the protection and preservation of the company's investments, and prepaid expenses or deferred charges, including prepayments of insurance, unamortized discount on debentures payable, and the unamortized cost of improvements to leased property used as the company's office quarters.
23. *Total Other Assets.* Enter the total of the appropriate amounts opposite items 18, 19(a), 20(a), 21, and 22.
24. *Total.* Enter the total of items 11, 17, and 23.

Liabilities, Capital Stock, and Surplus

25. *Obligations payable to SBA, maturing within one year.* State the total of the current portions of the unpaid principal balance of notes payable for funds borrowed from SBA and the unpaid principal balance of funds received by the company under its subordinated debenture bond payable issued to SBA.
26. *Obligations payable to other than SBA, maturing within one year.* State the total amount of the current portions of the unpaid principal balance of notes payable for funds borrowed from other than SBA, installments to be paid on the company's unsubordinated debenture bonds, subordinated debenture bonds payable to other than SBA, and mortgages payable for funds borrowed on corporate premises or other real estate.
27. *Accounts payable.* State the total of accounts payable (1) for services rendered to the company on its participations in loans (section 305), debt securities (section 304), assets acquired in liquidation of loans and debt securities, and amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities; (2) for commitment fees for having funds made available on a deferred basis by "participating" companies; and (3) on open account. Accounts payable for the purchase of securities, if significant, shall be shown parenthetically.
28. *Accrued interest.* State the total amount of interest accrued on the company's notes, mortgages, and debentures payable; on loans (section 305) and debt securities (section 304) of small business concerns sold with recourse on the company; and on other interest-bearing obligations.
29. *Accrued salaries.* State the total amount of the company's liability for accrued salaries.
30. *Accrued taxes on income.* Show the total amount of estimated Federal and State income taxes accrued and unpaid.
31. *Other accruals.* State the total amount of the company's liability for accrued social security taxes and other accrued expenses.
32. *Dividends payable.* State the total amount of the company's liability for dividends, other than stock dividends, declared by the board of directors on capital stock issued and outstanding.
- 33 and 43. *Amounts due directors, officers, and employees.* Show the current and noncurrent portions, respectively, of amounts owed to directors, officers, or employees, other than salaries.
34. *Federal taxes withheld.* State the total amount of Federal income and social security taxes withheld from employees' salaries and not yet remitted to the Internal Revenue Service.
35. *State and city taxes withheld.* Show the total amount of State income and city taxes withheld from employees' salaries and not yet remitted to the appropriate tax collectors.

STATEMENT OF FINANCIAL CONDITION—Con.

Liabilities, Capital Stock, and Surplus—Con.

Item

36. *Unapplied receipts.* State the total amount of funds received by the company which have not been applied to loans (section 305), debt securities (section 304), interest receivable, etc.
37. *Advance interest payments.* State the total amount of interest collected through cash payments by debtors on interest-bearing items prior to the interest maturity date.
38. *Miscellaneous trust receipts.* State the total amount of the company's liability for funds withheld or received in trust not provided for elsewhere, including earnest money deposits and funds withheld from employees' salaries for the purchase of United States savings bonds, payment of group life insurance premiums, etc.
- 39 and 45. *Other.* Show the current and noncurrent portions, respectively, of the unpaid principal balance of notes payable in evidence of amounts owed by the company other than for funds borrowed, and of the amount of liabilities not provided for elsewhere.
40. *Total Current Liabilities.* Enter the total of items 25 through 39.
41. *Obligations payable after one year.*
(a) *For funds borrowed from SBA (section 303).* Show the noncurrent portion of the total unpaid principal balance of notes payable for funds borrowed from SBA.
(b) *For funds borrowed from other than SBA.* Show the total of the noncurrent portions of the unpaid principal balance of notes payable for funds borrowed from other than SBA, installments on unsubordinated debenture bonds payable issued for funds borrowed, and installments on subordinated debenture bonds payable issued to other than SBA for funds borrowed.
42. *Mortgages payable.* Show the noncurrent portion of the unpaid principal balance of mortgages payable for funds borrowed on corporate premises or other real estate owned by the company.
43. (See item "33 and 43" above.)
44. *Unamortized premium on debentures payable.* State the amount of the unamortized balance of premium on unamortized outstanding debentures payable sold by the company for a sum in excess of par.
45. (See item "39 and 45" above.)
46. *Debenture, subordinated, issued to SBA (section 302).* Show the noncurrent portion of the unpaid principal balance of funds received by the company under its subordinated debenture bond payable issued to SBA.
47. *Total Liabilities.* Enter the total of the appropriate amounts opposite items 40, 45, and 46.
48. *Capital stock.* Show the total par or stated value of the capital stock issued, plus any capital stock dividends declared payable by the company's board of directors and not issued as of the date of the report.
49. *Paid-in surplus.* State the total amount of surplus arising from (1) sales initially of the company's capital stock at a price in excess of par value (including amounts transferred from capital stock subscribed at a price above par, when shares are issued); (2) donations to the company of its issued capital stock carried as treasury stock at fair market value or par value; (3) retirements of capital stock purchased at less than the par value thereof; (4) sales of treasury stock in excess of its carrying value on the books of the company; (5) donations or gifts to the company of assets carried at not in excess of fair market value; and (6) other capital equity transactions with stockholders.

STATEMENT OF FINANCIAL CONDITION—Con.

Liabilities, Capital Stock, and Surplus—Con.

Item

50. *Less: ----- shares of treasury stock at cost.* State the number of shares and the total amount of the company's issued capital stock which has been reacquired and not retired.
51. *Total.* Enter the balance resulting from the deduction of item 50 from the appropriate amount opposite item 49.
52. *Capital stock subscribed.* Show the total amount at the subscription price of the company's capital stock subscribed.
(a) *Less: Subscriptions receivable.* Show the total amount of the unpaid balances of capital stock subscriptions receivable.
53. *Total.* Enter the total of the appropriate amounts opposite items 51 and 52(a).
54. *Retained earnings, net income.* State the accumulated balance of the company's undistributed net income since incorporation.
55. *Retained earnings, net realized gain on investments.* State the accumulated balance of the company's undistributed net realized gain or loss on investments since incorporation.
56. *Appropriated retained earnings.* State the total amount of retained earnings earmarked for some future purpose and thus restricted from dividend distribution.
57. *Total capital stock and surplus.* Enter the total of the appropriate amounts opposite items 53 and 56.
58. *Total.* Enter the total of items 47 and 57.

STATEMENT OF STATUTORY CAPITAL AND SURPLUS

1. *Debenture, subordinated, issued to SBA.* State the total of the unpaid principal balance of funds received under the subordinated debenture bond payable issued to SBA. This amount shall agree with the total of the appropriate portion of item 25 plus item 46 of the Statement of Financial Condition.
2. *Capital stock and surplus.* State the amount of the combined fully paid capital stock issued and outstanding and paid-in surplus. This amount shall agree with item 51 of the Statement of Financial Condition less the amount of any declared stock dividends payable which may be included in item 51.
3. *Total.* Enter the total of items 1 and 2 of this Statement of Statutory Capital and Surplus.

STATEMENT OF INCOME AND EXPENSE FOR THE FISCAL YEAR TO DATE

Include the presentation of income and expense data for the current period, which is the period immediately following the period for which this particular statement was last submitted to SBA.

Income

Item

1. *Commitment income.* State the total of the amount of income earned on commitments to small business concerns for loans (section 305) and equity securities (section 304), and the amount of commitment income on deferred participations of the company in the lending activities of other financial institutions.
2. *Interest on loans.* State the amount of interest earned on loans (section 305) to small business concerns.
3. *Interest on debt securities.* State the amount of interest earned on debt securities of small business concerns owned by the company pursuant to section 304.
4. *Interest on U.S. Government securities.* State the amount of interest earned on United States Government obligations, direct and fully guaranteed.

STATEMENT OF INCOME AND EXPENSES FOR THE
FISCAL YEAR TO DATE—Continued

Income—Continued

Item

5. *Interest on amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.* State the amount of interest earned on amounts due from debtors on sale of assets acquired in liquidation of loans (section 305) and debt securities (section 304).
6. *Interest income—other.* State the amount of interest earned on funds in escrow pending closing of financing, on notes receivable (except those from debtors on sale of assets acquired in liquidation of loans and debt securities), and on other interest-bearing receivables not provided for elsewhere.
7. *Compensation income—participations sold.* State the amount of compensation earned by the company for financial services rendered in connection with participations sold.
8. *Advisory and consulting service fees.* State the amount of fees charged for advisory, consulting, and related services rendered to small business concerns.
9. *Appraisal and investigation fees.* State the amount of fees charged for appraisal, investigation, and related services rendered to banks or other financial institutions, other than services rendered in connection with participations sold.
10. *Miscellaneous fees.* State the amount of fees charged for application, appraisal, investigation, and related services rendered to small business concerns.
11. *Dividends on capital stock of SBCs.* State the amount of income from declared dividends on capital stock of small business concerns.
12. *Sharings in income of SBCs.* State the amount of sharings or participations in the income of small business concerns from which the company has acquired debt securities (section 304).
13. *Income from assets acquired in liquidation of loans and debt securities.* State the amount of income earned on assets acquired in liquidation of loans (section 305) and debt securities (section 304), including the operation of properties so acquired.
14. *Other income.* State the total amount of (1) recoveries on asset losses charged to loss accounts; (2) income earned from the leasing or renting to others of portions of corporate premises owned; (3) gain or loss on debentures payable purchased and retired; and (4) other income of a miscellaneous nature.
15. *Total.* Enter the total of items 1 through 14.

Expense

16. *Commitment expense.* State the total amount of commitment expense on (1) commitments from SBA to make funds available on a subordinated debenture, (2) commitments from lending institutions other than SBA, and (3) deferred participations of other financial institutions in the company's lending activities.
17. *Interest on notes and other obligations payable to SBA.* State the total amount of interest expense on notes payable and the subordinated debenture payable, all issued for funds borrowed from SBA.
18. *Interest on obligations payable to other than SBA.* State the total amount of interest expense on (1) loans to small business concerns sold with recourse upon the company; (2) debt securities of SBCs sold with recourse upon the company; (3) notes payable for funds borrowed from other than SBA; (4) subordinated and unsubordinated debentures payable issued to other than SBA; (5) mortgages payable for funds borrowed; and (6) miscellaneous obligations.

STATEMENT OF INCOME AND EXPENSES FOR THE
FISCAL YEAR TO DATE—Continued

Expense—Continued

Item

19. *Compensation expense—participations purchased.* State the amount of compensation expense for financial services received from "initiating" companies in connection with participations purchased.
20. *Debenture and fiscal agent expense.* State the amount of charges for services rendered and expenses incurred by the company's fiscal agent, and expenses directly incident to the sale, redemption, and servicing of debentures payable.
21. *Transfer agent and registrar expense.* State the amount of charges to the company by the transfer agent and the registrar for services rendered in connection with the issuance and transfer of the company's capital stock.
22. *Expense on assets acquired in liquidation of loans and debt securities.* State the amount of expense incurred on assets acquired in liquidation of loans (section 305), and debt securities (section 304), including the operation of properties so acquired.
23. *Operating expenses.* State the total amount of operating expenses including advertising, appraisal, consulting, auditing, communications, space occupancy, depreciation of office building and equipment, directors' and stockholders' meetings, insurance, financial service, investment adviser, legal, miscellaneous services and supplies, salaries, taxes (other than income), travel, uncollectible receivables, maintenance and repairs, retirement benefits, organization, and estimated asset loss expenses.
24. *Amortization of discount (premium) on debentures payable.* State the net amount of amortization of discount or premium on unmatured outstanding debentures payable issued by the company.
25. *Total.* Enter the total of items 16 through 24.
26. *Net income before taxes on income.* Enter the balance resulting from the deduction of item 25 from item 15.
27. *Provision for Federal and other income taxes.* State the amount of the Federal and other income tax accruals relating to income exclusive of net realized gain or loss on investments.
28. *Net income exclusive of net realized gain or loss on investments.* Enter the balance resulting from the deduction of item 27 from item 26.

STATEMENT OF REALIZED GAIN OR LOSS ON
INVESTMENTS

1. *U.S. Government securities.* Show the aggregate cost, aggregate net proceeds, and net gain or loss on the sale or other disposition of United States Government obligations, direct and fully guaranteed. The "current period" is the period immediately following the period for which this particular statement was last submitted to SBA.
2. *Debt securities of SBCs.* Show the aggregate cost, aggregate net proceeds, and net gain or loss on the sale or other disposition of debt securities of small business concerns.
3. *Capital stock of SBCs.* Show the aggregate cost, aggregate net proceeds, and net gain or loss on the sale or other disposition of capital stock of small business concerns.
4. *Stock purchase warrants or options of SBCs.* Show the aggregate cost, aggregate net proceeds, and the net gain or loss on the sale or other disposition of detachable stock purchase warrants or options which have been detached from the capital stock certificates or debt securities with which they were issued by small business concerns.

STATEMENT OF REALIZED GAIN OR LOSS ON
INVESTMENTS—Continued

Item

5. *Assets acquired in liquidation of loans and debt securities.* Show the aggregate cost, aggregate net proceeds, and net gain or loss on the sale or other disposition of assets acquired in liquidation of loans and debt securities of small business concerns. The aggregate cost shown for this item shall be the same as that recorded in the books of account on the basis determined by the board of directors from among (1) bid-in price of the property, (2) agreed consideration for the property, and (3) fair appraised value of the property, but not to exceed the total amount of the related loan or debt security involved.
6. *Other.* Show the aggregate cost, aggregate net proceeds, and net gain or loss on the sale or other disposition of any investments not included in items 1 through 5.
7. *Net realized gain (loss) on investments, before taxes on income.* Enter the net total of items 1 through 6.
8. *Provision for Federal and other income taxes.* State the amount of Federal and other income tax accruals relating to net realized gain on investments.
9. *Net realized gain (loss) on investments.* Enter the balance resulting from the deduction of item 8 from item 7.

PART II

SCHEDULE 1—SURPLUS RECONCILEMENTS

Describe in this schedule all activities in accounts for paid-in surplus, retained earnings, and appropriated retained earnings during the periods covered by the schedule. The "current period" is the period immediately following the period for which this particular schedule was last submitted to SBA. In each reconciliation show opening balances, explanation of additions and deductions during periods, and balances at close of periods.

In Schedule 1b show separately the reconciliations of retained earnings from (1) net income, and (2) net realized gain on investments.

SCHEDULE 2—OPERATING EXPENSES

Include all operating expenses in this schedule. The "current period" is the period immediately following the period for which this particular schedule was last submitted to SBA.

SCHEDULE 3—LOANS (SECTION 305)

Furnish in this schedule a summary of loan activities under section 305 of the Act for the period immediately following the period for which this particular schedule was last submitted to SBA. List each loan by debtor, terms, dates, opening unpaid principal balance, additions during period, deductions during period, unpaid principal balance at close of period, amounts in excess of net funds advanced included in unpaid principal balance at close of period (discount, and fees and other charges), and unpaid balance of net funds advanced at close of period, showing the portion maturing within one year and the portion maturing after one year. Enter in column (9), with a footnoted explanation, the amount of any funds representing the undisbursed portion of a multiple-disbursement loan. The amounts in columns (4) through (7) shall relate to the face amount of the loan and the amounts in columns (10) and (11) shall relate to the funds actually advanced to the debtor small business concern. The amounts in column (7) less the amounts in columns (8) and (9) shall equal the totals of the amounts in columns (10) and (11). The totals of columns (10) and (11) shall agree with items 6 and 12, respectively, of the Statement of Financial Condition.

PROPOSED RULE MAKING

This schedule will comprise one or more of the following types of loans, grouped under brief headings designating the types, but without need for subtotals:

1. Direct loans.
2. Loans which the "initiating" investment company shares with another lending institution. The full amount of loans in which others participate shall be shown in the reports of the "initiating" company.
3. Loans in which the "participating" investment company owns a participating interest in loans of an "initiating" company. Such participations in loans of others shall be shown in the amount of the "participating" company's investment in the reports of the "participating" company.
4. Loans sold with recourse. Such loans shall be stated in the amount shown on the company's books after giving effect to payments made as reported to the company by the purchasers.

All transactions during the reporting period in connection with loans outstanding at any time during the period shall be included in the data summarized in the schedule even if there is no related opening or closing loan balance.

In those instances in which a borrowing small business concern is a real estate company or has in its name the word "finance," "investment," "mortgage," "capital," "loan," or "banking," giving the impression that such concern might engage in lending operations, the explanation of the type of business shall incorporate a specific statement that the business activity of such concern does, or does not, involve the investing, lending, or other providing of funds to others in exchange for an equity interest or monetary obligation.

SCHEDULE 4—DEBT SECURITIES OF SBCs (SECTION 304)

Furnish in this schedule a list of all debt securities of small business concerns held, acquired, converted, or sold during the period immediately following the period for which this particular schedule was last submitted to SBA. List each debt security by issuer, dates and terms, opening unpaid principal balance, additions during period, deductions during period, unpaid principal balance at close of period, amounts in excess of net funds advanced included in unpaid principal balance at close of period (discount, and fees and other charges), and unpaid balance of net funds advanced at close of period, showing the portion maturing within one year and the portion maturing after one year. Enter in column (10), with a footnoted explanation, the amount of any funds representing the undisbursed portion of multiple-disbursement financing through purchase of debt securities. The amounts in columns (3) through (6) shall relate to the face amount of the debt security and the amounts in columns (9) and (10) shall relate to the funds actually advanced to the debtor small business concern. The amounts in column (6) less the amounts in columns (7) and (8) shall equal the totals of the amounts in columns (9) and (10). The totals of columns (9) and (10) shall agree with the appropriate amounts opposite items 7(c) and 13(c), respectively, in the Statement of Financial Condition.

The market value, or fair value as determined by the board of directors, shall be shown in column (11). Column (12) shall show the percentage of each debtor small business concern's voting securities (including those necessary to cover conversion of, or exercise of stock rights attached to, the debt securities described in this schedule) which can be obtained by the company through conversion of debt securities held or through exercise of stock purchase warrants or options attached to debt securities held.

In those instances in which a borrowing small business concern is a real estate company or has in its name the word "finance," "investment," "mortgage," "capital," "loan," or "banking," giving the impression that such concern might engage in lending operations, the explanation of the type of business shall incorporate a specific statement that the business activity of such concern does, or does not, involve the investing, lending, or other providing of funds to others in exchange for an equity interest or monetary obligation.

SCHEDULE 5—DELINQUENT LOANS (SECTION 305) (NOT SHOWN SEPARATELY ON STATEMENT OF FINANCIAL CONDITION)—ALLOWANCE FOR UNCOLLECTIBLE LOANS

Show in this schedule all past due installments on loans (section 305). Opposite the name of each small business concern shall be entered separately the total outstanding balance of the delinquent loan, column (2), and the past due installments of principal and interest, columns (3) and (4). The allowance for uncollectible loans, when such allowance is based upon estimated realizable value of the individual loan, shall be shown in columns (5) through (9), opposite the name of each small business concern so financed, showing opening balance, additions, deductions, and closing balance, all relating to the period immediately following the period for which this particular schedule was last submitted to SBA. Additions in column (6) shall represent charges to uncollectible loans expense. Those in column (7) shall represent recoveries on loans previously written off. If the allowance for uncollectibles is based upon a percentage of loans made, the beginning balance, additions, deductions, and closing balance shall be entered in columns (5) through (9) opposite side caption No. 2, "General allowance for uncollectible loans." In any event the final total of column (9) shall agree with the appropriate amount opposite item 12(d) in the Statement of Financial Condition.

SCHEDULE 6—DELINQUENT DEBT SECURITIES (SECTION 304) (NOT SHOWN SEPARATELY ON STATEMENT OF FINANCIAL CONDITION)—ALLOWANCE FOR LOSSES ON DEBT SECURITIES

Show in this schedule all past due installments on debt securities (section 304). Opposite the name of each small business concern so financed shall be entered separately the total outstanding balance of the delinquent debt security, column (2), and the past due installments of principal and interest, columns (3) and (4). The allowance for losses on debt securities, when such allowance is based upon estimated realizable value of the individual debt security, shall be shown in columns (5) through (8), opposite the name of each small business concern so financed, showing opening balance, additions, deductions, and closing balance, all relating to the period immediately following the period for which this particular schedule was last submitted to SBA. If the allowance for losses is based upon a percentage of debt securities acquired, the beginning balance, additions, deductions, and closing balance shall be entered in columns (5) through (8) opposite side caption No. 2, "General allowance for losses on debt securities." In any event the final total of column (8) shall agree with the appropriate amount opposite item 13(g) in the Statement of Financial Condition.

SCHEDULE 7—CAPITAL STOCK OF SBCs—ALLOWANCE FOR LOSSES ON CAPITAL STOCK OF SBCs

Show in this schedule pertinent data, as indicated by the column headings, with respect to the capital stock of small business concerns acquired by the company during the period immediately following the period for

which this particular schedule was last submitted to SBA. The stock shall be shown at cost. Allowance for estimated losses, if any, shall be indicated, as well as the market or fair value as determined by the board of directors. The total of column (9), "Balance at Cost Close of Period," shall agree with the appropriate amount opposite item 14(c) in the Statement of Financial Condition. Column (12) shall show the percentage of each financed small business concern's voting securities (including those necessary to cover conversion of, or exercise of stock rights attached to, the capital stock described in this schedule) represented by voting stock held plus the voting securities which can be obtained by the reporting company upon conversion of convertible stock held or exercise of stock purchase warrants or options attached to stock held.

PART III

SCHEDULE 8—CASH ON HAND AND IN BANKS

Show in this schedule all cash on hand and in banks. Demand deposits comprise balances which are subject to withdrawal without notice. Cash items in process of collection represent those items which have been placed with banks for collection. Petty cash shall represent the full amount of the petty cash imprest fund. The total of column (3) shall agree with item 1 of the Statement of Financial Condition.

SCHEDULE 9—U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED

List in this schedule all securities owned which have been issued or guaranteed by the U.S. Government, showing the name of the issuer and the title of each issue. Other required data, such as interest rate, call date, maturity date, and principal amount at par of bonds and notes, may be obtained by inspection of the securities or from records of securities pledged. The cost shown in column (6) of this schedule shall be in agreement with item 2 of the Statement of Financial Condition. The current market value of the securities shall be shown in column (7) of the schedule and shall agree with the amount shown parenthetically in item 2 of the Statement of Financial Condition.

SCHEDULE 10—PARTICIPATIONS SOLD TO OTHER LENDING INSTITUTIONS

The "initiating" company shall show in this schedule, at cost, the outstanding balances of participations by other lending institutions in individual loans and debt securities of such "initiating" company as of the reporting date.

The outstanding totals of purchases by others of participations in loans (L) in columns (7) and (8) shall agree with items 6(a) and 12(a), respectively, of the Statement of Financial Condition. The outstanding totals of purchases by others of participations in debt securities (DS) in columns (7) and (8) shall agree with items 7(d) and 13(d), respectively, of the Statement of Financial Condition.

SCHEDULE 11—DUE FROM DIRECTORS, OFFICERS, AND EMPLOYEES

Show in this schedule, for the period immediately following the period for which this particular schedule was last submitted to SBA, amounts due from directors, officers, and employees for advances made to them. An explanation shall be furnished for any amount written off or for any collection other than in cash. Amounts outstanding shall be classified as current and noncurrent and shown in columns (6) and (7), respectively, the totals of which columns shall agree with items 9 and 21 in the Statement of Financial Condition.

SCHEDULE 12—SUNDRY ASSETS

Show and explain in this schedule, by appropriate classification, the amounts of any of the sundry assets which are significant in relation to the amount of total assets. Such assets may include: (1) Notes receivable, (2) accounts receivable, (3) dividends receivable, (4) accrued interest receivable, (5) funds in escrow pending closing of financing, (6) other current assets, representing current amounts due which are not accounted for under a specific class heading, (7) prepayments or deferred charges, (8) unamortized organization costs, and (9) other assets.

Explain clearly any provisions made or any methods in operation to write off or amortize any of the amortizable items in this schedule.

SCHEDULE 13—AMOUNTS DUE FROM DEBTORS ON SALE OF ASSETS ACQUIRED IN LIQUIDATION OF LOANS AND DEBT SECURITIES—ALLOWANCE FOR UNCOLLECTIBLES

Show in this schedule, by debtors, all accounts receivable, notes receivable, sales contracts, purchase money mortgages, etc., carried during the period in the account for amounts due from debtors on sale of assets acquired in liquidation of loans (section 305) and debt securities (section 304). The interest rate and other terms shall be given. The balances at the beginning and close of the period immediately following the period for which this particular schedule was last submitted to SBA shall be shown, together with additions and deductions during such reporting period. Allowances for uncollectibles based upon an evaluation of individual amounts due shall be recorded in column (9) opposite the name of the debtor. If a general allowance is utilized instead of individual allowances, it shall appear only at the bottom of column (9).

Items in this schedule which originated from the sale of assets acquired in liquidation of participation loans or debt securities shall be shown by the "initiating" company in the amounts thereof opposite the names of the debtors, and, on the line directly thereunder, the "participating" company's equity shall be enclosed in parentheses. Any such amounts in parentheses shall not be considered in arriving at the totals for columns (5), (6), (7), and (8). The total of the amounts shown in parentheses in column (8) shall agree with item 15(a) of the Statement of Financial Condition. If the company preparing this report is the "participating" company, only its equity in amounts due from debtors on sale of assets arising from liquidation of such participation loan or debt security shall be included in this schedule.

The totals of columns (8) and (9) shall agree with items 15 and 15(b), respectively, of the Statement of Financial Condition.

SCHEDULE 14—ASSETS ACQUIRED IN LIQUIDATION OF LOANS AND DEBT SECURITIES—ALLOWANCE FOR LOSSES

List and describe in this schedule, by former debtors (small business concerns), all assets carried, during the period immediately following the period for which this particular schedule was last submitted to SBA, in the account for assets acquired in liquidation of loans (section 305) and debt securities (section 304). The balances at the beginning of the reporting period, additions and deductions during the period, and balances at the close of the period shall be shown in columns (3), (4), (5), and (6). The allowance for losses based upon an appraisal of the assets held with reference to each small business concern shall be recorded in column (7). Current market value, or

fair value as determined by the board of directors at the close of the period shall be shown in column (8). The totals of columns (6) and (7) shall agree with items 16 and 16(b), respectively, of the Statement of Financial Condition.

Assets acquired in liquidation of a participation loan or debt security shall be shown by the "initiating" company in the amounts thereof opposite the names of the debtors, and the "participating" company's equity shall be enclosed in parentheses on the line thereunder. Any such amounts in parentheses shall not be considered in arriving at the totals for columns (3), (4), (5), and (6). The total of the amounts shown in parentheses in column (6) shall agree with item 16(a) of the Statement of Financial Condition. If the reporting company is the "participating" company, only the reporting company's equity shall be included in this schedule.

SCHEDULE 15—OBLIGATIONS PAYABLE TO SBA

Furnish in this schedule a summary, for the period immediately following the period for which this particular schedule was last submitted to SBA, of the notes payable to SBA and the subordinated debenture issued to SBA. The terms of each note payable to SBA shall be recorded in columns (2) and (3); the unpaid balance at the beginning of the period and additions and deductions during the period shall be reflected in columns (4), (5), and (6); and the balance payable at the end of the period, segregated between amounts due within one year and amounts due after one year, shall be reflected in columns (7) and (8).

The subordinated debenture issued to SBA shall be entered in this schedule in a similar manner.

The total of column (7) shall agree with item 25 on the Statement of Financial Condition, and the total of column (8) shall equal the sum of items 41(a) and 46 in the Statement of Financial Condition.

SCHEDULE 16—OBLIGATIONS PAYABLE FOR FUNDS BORROWED FROM OTHER THAN SBA

Show in this schedule, by creditors, all obligations payable for funds borrowed from other than SBA, including (1) all notes payable for funds borrowed from other than SBA; (2) debentures payable, unsubordinated; (3) debentures payable, subordinated, issued to other than SBA; and (4) mortgages payable for funds borrowed on corporate premises or other real estate. Such liabilities shall be grouped and described by class in column (2), but subtotals are not required. The terms of each obligation shall be set out in columns (3) and (4); the unpaid balance at the beginning of the period immediately following the period for which this particular schedule was last submitted to SBA and additions and deductions during such reporting period shall be shown in columns (5), (6), and (7); and the balance payable at the close of the period, segregated between amounts due within one year and amounts due after one year, shall be reflected in columns (8) and (9).

The total of column (8) shall agree with item 26 in the Statement of Financial Condition, and the total of column (9) shall equal the sum of items 41(b) and 42 in the Statement of Financial Condition.

SCHEDULE 17—CAPITAL STOCK OF LICENSEE

Furnish in this schedule a complete description of capital stock authorized and capital stock issued and outstanding, and data relating to special transactions involving capital stock.

In column (1) shall be described the type and class of each issue, such as common—\$5.00 par, preferred (6 percent Series of

1961), etc. The par value and the stated value of no-par stock shall also be reported in column (1).

The number of shares authorized, whether issued or not, shall be reported in column (2).

The number of shares and amount, at par or stated value, of stock issued and not retired or cancelled shall be reported in columns (3) and (4). The total of column (4), plus the amount of any declared stock dividends payable, shall agree with item 48 of the Statement of Financial Condition. The number of shares held as treasury stock shall be shown in column (5). Column (6) shall represent the difference between column (3) and column (5).

Column (7) shall be the amount at par or stated value representing the number of shares outstanding as shown in column (6). The total of column (8) shall represent the amount of capital stock subscribed at the subscription price and shall agree with item 52 of the Statement of Financial Condition.

In column (9) shall be reported the amount of subscriptions receivable, which shall agree in total with item 52(a) of the Statement of Financial Condition.

Column (10) shall show the number of shares (other than those under option) reserved for purchase by officers and employees, and column (11) shall show the number of shares reserved to cover options and other rights.

SCHEDULE 18—COMMITMENTS OUTSTANDING

Furnish in this schedule a summary showing separately, with subtotals, (1) commitments to small business concerns for equity financing under section 304 of the Act, as amended, (2) commitments to small business concerns for loans under section 305 of the Act, as amended, and (3) commitments to financing institutions for deferred participations in loans or commitments to small business concerns.

SCHEDULE 19—DETACHED STOCK PURCHASE WARRANTS OR OPTIONS ON STOCK OF SBCs

Show in this schedule pertinent data concerning stock purchase warrants or options on stock of small business concerns which have been detached from the capital stock or debt securities of such concerns with which they were issued and are held by the reporting company as of the date of this report.

The small business concern which issued each stock purchase warrant or option is to be identified in column (1); column (2) shall show the number of shares called for; column (3) shall specify the type and class of stock called for; column (4) shall inform as to the grant and expiration dates of the warrant or option; column (5) shall set forth the price or prices at which the stock purchase rights are exercisable, showing the period within which each price applies; and columns (6) and (7) shall show the total number of shares of the small business concern's voting stock and nonvoting stock, respectively, which are outstanding plus those covered by the detached warrant or option described. Column (8) shall show the percentage of each small business concern's voting securities, including those called for by the stock purchase warrants or options described in this schedule, which can be obtained by the reporting company upon exercise of such warrants or options.

SCHEDULE 20—OPTIONS ON LICENSEE'S CAPITAL STOCK

Furnish in this schedule full information concerning capital stock options outstanding

which have been granted by the company in lieu of salary or in payment for services actually rendered to the company, as provided for in § 107.302 of the regulation, as amended. The holder of each option shall be identified in column (1). The number of shares optioned shall be shown in column (2). In column (3) shall be described the type and class of stock called for by the option, such as common—\$5.00 par, preferred (6 percent Series of 1961), etc.

Column (4) shall show the grant and expiration dates of each option and column (5) shall set forth the price or prices at which each option is exercisable, together with the period during which each price applies.

The fair market value, per share, of stock called for at date the option was granted, if not ascertainable on the basis of actual market, shall be as determined by the board of directors.

Column (6) shall show the fair market value, per share, of stock called for by each option, at the date the option was granted. The price at which the option is exercisable as a percentage of fair market value, per share, of the optioned stock at date of granting shall be shown in column (7). Column (8) shall set forth the provisions made with respect to each option in the event of the optionee's death or retirement, or other circumstances.

The fair market value, per share, of stock called for at date the option was granted, if not ascertainable on the basis of actual market, shall be as determined by the board of directors.

[SBA Form 477 (11-60)]		License No.
ACTIVITY REPORT		Name of licensee
Report for the months ended, 19....		City and State

TABLE 1—Loan and equity financing transactions—By State

Description	Loans (Sec. 303)				Equity financing (Sec. 304)			
	Loans approved		Loans disbursed		Proposals approved		Securities purchased	
	Number of firms involved	Amount approved	Number of firms involved	Amount disbursed	Number of firms involved	Amount approved	Number of firms involved	Amount purchased
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Totals all States.								

TABLE 2—Applications received

Applications from small business concerns for specific loan or equity financing:	SIGNATURE I certify that all information contained in this Activity Report, SBA Form 477, is true and complete to the best of my knowledge and belief. Person authorized to sign: _____ Date _____ Title _____
Number of applications	
Amount of financing applied for	

[SBA Form 477 (11-60)]		License No.	
Report for the months ended, 19....		Name of licensee	

TABLE 3—Loan and equity financing transactions—By industry grouping

Description	Loans (Sec. 303)				Equity financing (Sec. 304)			
	Loans approved		Loans disbursed		Proposals approved		Securities purchased	
	Number of firms involved	Amount approved	Number of firms involved	Amount disbursed	Number of firms involved	Amount approved	Number of firms involved	Amount purchased
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
NONMANUFACTURING Industries:								
Totals non-manufacturing								
MANUFACTURING Industries:								
Totals manufacturing								
Totals all industries								

SBA Form 477 [11-60]	License No.
Report for the months ended, 19....	Name of licensee

TABLE 4—Loan and equity financing transactions—by firm size

Nonmanufacturing firms for which financing was approved this period					Manufacturing firms for which financing was approved this period				
Firms by annual sales size	Loans approved		Equity financing proposals approved		Firms by employment size	Loans approved		Equity financing proposals approved	
	Number of firms	Amount approved	Number of firms	Amount approved		Number of firms	Amount approved	Number of firms	Amount approved
\$49,999 and under.....					0 to 9 employees.....				
\$50,000 to \$99,999.....					10 to 19 employees.....				
\$100,000 to \$249,999.....					20 to 49 employees.....				
\$250,000 to \$499,999.....					50 to 99 employees.....				
\$500,000 to \$999,999.....					100 to 249 employees.....				
\$1,000,000 to \$1,999,999.....					250 or more employees.....				
\$2,000,000 or more.....					Data not available.....				
Data not available.....									
Total non-manufacturing firms.....					Total manufacturing firms.....				

[SBA Form 477 (11-60)]

MAJOR GROUPINGS OF NONMANUFACTURING AND MANUFACTURING INDUSTRIES (BASED ON STANDARD INDUSTRIAL CLASSIFICATION MANUAL)

Nonmanufacturing Industries

- (01) Commercial farms.
- (02) Noncommercial farms.
- (07) Agricultural services and hunting and trapping.
- (08) Forestry.
- (09) Fisheries.
- (10) Metal mining.
- (11) Anthracite mining.
- (12) Bituminous coal and lignite mining.
- (13) Crude petroleum and natural gas.
- (14) Mining and quarrying of nonmetallic minerals, except fuels.
- (15) Building construction—general contractors.
- (16) Construction other than building construction—general contractors.
- (17) Construction—special trade contractors.
- (40) Railroad transportation.
- (41) Local and suburban transit and interurban passenger transportation.
- (42) Motor freight transportation and warehousing.
- (44) Water transportation.
- (45) Transportation by air.
- (46) Pipe line transportation.
- (47) Transportation services.
- (48) Communication.
- (49) Electric, gas, and sanitary services.
- (52) Retail trade—building materials, hardware, and farm equipment.
- (53) Retail trade—general merchandise.
- (54) Retail trade—food.
- (55) Automotive dealers and gasoline service stations.
- (56) Retail trade—apparel and accessories.
- (57) Retail trade—furniture, home furnishings, and equipment.
- (58) Retail trade—eating and drinking places.
- (59) Retail trade—miscellaneous retail stores.
- (60) Banking.
- (61) Credit agencies other than banks.
- (62) Security and commodity brokers, dealers, exchanges, and services.
- (63) Insurance carriers.

- (64) Insurance agents, brokers, and service.
- (65) Real estate.
- (66) Combinations of real estate, insurance, loans, law offices.
- (67) Holding and other investment companies.
- (70) Hotels, rooming houses, camps, and other lodging places.
- (72) Personal services.
- (73) Miscellaneous business services.
- (75) Automobile repair, automobile services, and garages.
- (76) Miscellaneous repair services.
- (78) Motion pictures.
- (79) Amusement and recreation services, except motion pictures.
- (80) Medical and other health services.
- (81) Legal services.
- (82) Educational services.
- (84) Museums, art galleries, botanical and zoological gardens.
- (86) Nonprofit membership organizations.
- (88) Private households.
- (89) Miscellaneous services.
- (92) Wholesale trade—building materials, hardware, and farm equipment.
- (94) Wholesale trade—food.
- (96) Wholesale trade—apparel and accessories.
- (97) Wholesale trade—furniture, home furnishings, and equipment.
- (99) Wholesale trade—miscellaneous.

Manufacturing

- (19) Ordnance and accessories.
- (20) Food and kindred products.
- (21) Tobacco manufactures.
- (22) Textile mill products.
- (23) Apparel and other finished products made from fabrics and similar materials.
- (24) Lumber and wood products, except furniture.
- (25) Furniture and fixtures.
- (26) Paper and allied products.
- (27) Printing, publishing, and allied industries.
- (28) Chemicals and allied products.
- (29) Petroleum refining and related industries.
- (30) Rubber and miscellaneous plastics products.
- (31) Leather and leather products.
- (32) Stone, clay, and glass products.
- (33) Primary metal industries.

- (34) Fabricated metal products, except ordnance, machinery, and transportation equipment.
- (35) Machinery, except electrical.
- (36) Electrical machinery, equipment, and supplies.
- (37) Transportation equipment.
- (38) Professional, scientific, and controlling instruments; photographic and optical goods; watches and clocks.
- (39) Miscellaneous manufacturing industries.

(1) The Activity Report, SBA Form 477, includes the following:

Table 1—Loan and Equity Financing Transactions—by State.

Table 2—Applications Received.

Table 3—Loan and Equity Financing Transactions—by Industry Grouping.

Table 4—Loan and Equity Financing Transactions—by Firm Size.

Major Groupings of Nonmanufacturing and Manufacturing Industries

(2) The Activity Report, SBA Form 477, required by this section to be submitted to SBA by Licensee shall commence with the report for the six months period ending September 30, 1960.

(3) (i) Each Activity Report, SBA Form 477, prepared by a Licensee shall present data, as shown by the books of account and other records, reflecting the amounts of the Licensee's loan and equity financing transactions by the categories included in these tables.

(ii) All money amounts required to be shown in the tables of the Activity Report, SBA Form 477, shall be expressed to the nearest dollar. Appropriate adjustments of individual amounts shall be made for the fractional parts of a dollar, so that the items will add to the totals shown.

(iii) Loans in which other companies participate shall be reported only by the initiating company, which services the loan, to avoid the duplication that would otherwise occur when the data from all Licensees are combined.

(iv) All copies of the signature page of the Activity Report, SBA Form 477, shall bear the signature of the chief financial officer, or other person authorized by the board of directors to sign on behalf of the Licensee. The date on which the signature is affixed shall be shown.

TABLE 1. LOAN AND EQUITY FINANCING TRANSACTIONS—BY STATE

The amounts approved and amounts disbursed during the period covered by the report for loans and for equity financing, and the number of individual small business concerns involved for each type of financing, shall be classified by state, on the basis of the principal office location of the small-business concern. With respect to multiple-disbursement loan or equity financing, a firm shall be included in the number count in column (4) or column (8) only the one time when the initial disbursement is made. Subsequent disbursements to the same firm under the same loan or the same equity financing shall serve only to increase the amount disbursed or the amount purchased shown in column (5) or column (9), without altering the number count. The data reflected in this table shall be listed in the alphabetical sequence of the names of the states. The amounts of loans and equity financing approved shall not be decreased by cancellations following formal approval action.

TABLE 2. APPLICATIONS RECEIVED

This table shall reflect information as to both the number and the dollar amount of specific financing applications received from small business concerns during the period

covered by the report, regardless of the action taken thereon.

TABLE 3. LOAN AND EQUITY FINANCING
TRANSACTIONS—BY INDUSTRY GROUPING

This table shall show by major industry grouping the amounts approved and amounts disbursed during the period covered by the report for loans and for equity financing, and the number of individual small business concerns involved for each type of financing. With respect to multiple-disbursement loan or equity financing, a firm shall be included in the number count in column (4) or column (8) only the one time when the initial disbursement is made. Subsequent disbursements to the same firm under the same loan or the same equity financing shall serve only to increase the amount disbursed or the amount purchased shown in column (5) or column (9), without altering the number count. The amounts of loans and equity financing approved shall not be decreased by cancellations following formal approval action.

The major industry groupings are based on the Standard Industrial Classification Manual issued by the Office of Statistical Standards, U.S. Bureau of the Budget. The

individual groupings (by 2-digit code number and title) are listed, in the numerical sequence of the code numbers, on page 5 of the Activity Report, SBA Form 477. This represents the complete listing of the major groupings of nonmanufacturing and manufacturing industries shown in the SIC Manual, plus additional groupings for wholesale trade. Obviously, many of the types of businesses included therein would not be eligible for SBIC financing. Each small business concern involved can be classified in only one major grouping for reporting purposes, even though the firm may engage in multiple activities. The classification assigned for multiple activity firms shall be that covering the primary activity of the firm, based on anticipated dollar sales or income, etc., as is most representative.

The table is in two parts to permit showing data, including totals, for nonmanufacturing industries separately from those for manufacturing industries, plus grand totals for the period for both types of industries. The grand totals for all industries shall be identical with the totals by states given in Table 1. The "Description" column (col. 1) on each page of the table shall reflect the code number and related title of the

grouping for each industry grouping represented by the small business concerns involved. These code numbers and related titles shall be entered in numerical sequence to facilitate consolidation of the reports from all SBICs.

TABLE 4. LOAN AND EQUITY FINANCING
TRANSACTIONS—BY FIRM SIZE

The amounts approved during the period covered by the report for loans and for equity financing, and the number of individual small business concerns involved for each type of financing, shall be classified in this table on the basis of size of the firms. Separate classifications shall be shown for nonmanufacturing firms and manufacturing firms. The total number of nonmanufacturing firms and the total financing approved therefor shown in Table 3 for each of the two types of financing shall be classified in Table 4 on the basis of annual sales size of the firms. The total number of manufacturing firms and the total financing approved therefor shown in Table 3 for each of the two types of financing shall be classified in Table 4 on the basis of employment size of the firms.

[F.R. Doc. 61-6450; Filed, July 7, 1961;
8:50 a.m.]

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